Province of
Newfoundland and Labrador

Public Accounts Volume I
Consolidated Summary Financial Statements

FOR THE YEAR ENDED
MARCH 31, 2012

Newfoundland
Labrador

Province of Newfoundland and Labrador

Public Accounts

Volume I

Consolidated Summary Financial Statements

For The Year Ended 31 March 2012

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INTRODUCTION

Volume I of the Public Accounts presents the consolidated summary financial statements of the Province of Newfoundland and Labrador. These statements are preceded by a report which discusses and analyzes the information contained within the summary financial statements. The report, entitled **Understanding the Financial Health of the Province of Newfoundland and Labrador**, provides a narrative review of the financial performance of the Province along with illustrations of key figures and relationships. This financial statement discussion and analysis, in conjunction with the consolidated summary financial statements, provides additional information for users of the Provinces' summary statements.

The consolidated summary financial statements combine the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador. These organizations are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature.

These statements are prepared on the accrual basis of accounting in accordance with the Public Sector Accounting Board (PSAB) standards of the Canadian Institute of Chartered Accountants (CICA), and as outlined in the significant accounting policies of the Province. They are prepared by the Comptroller General of Finance and are audited by the Auditor General. Budget figures, where available, are provided on several statements for comparison purposes.

The Public Accounts for the year ended 31 March 2012 also includes another volume, Volume II – Consolidated Revenue Fund Financial Statements. It presents the financial position of the Fund and the results of its activities.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for 2011-12 was released in July 2012 and presents expenditures and revenues using the modified cash basis of accounting. This is the same basis used to prepare the budgeted appropriations and revenues as per the Estimates. Another report containing a reproduction of the available financial statements of the Crown Corporations, Boards and Authorities was released as a separate report in January 2013. These reports are available online at the address noted below.

The Public Accounts of the Province are tabled in the House of Assembly in accordance with Section 60 of the *Financial Administration Act*.

Internet Address

The Public Accounts are available on the Internet at:
http://www.fin.gov.nl.ca/fin/public_accounts/index.html

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UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

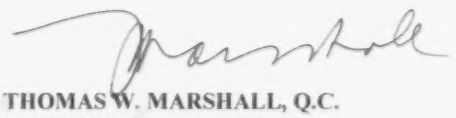
I hereby present the financial statements of the Province, the Public Accounts for the 2011-12 fiscal year. To provide further information and transparency on the financial position of Newfoundland and Labrador, the audited financial statements are preceded by a discussion and analysis which highlights the fiscal health of the Province.

Despite a global economic environment that remains uncertain and fragile, the Province reported a surplus for the 2011-12 fiscal year of $882.8 million, a significant increase from an originally forecasted surplus of $59.1 million for 2011-12. The increase of $823.7 million from our original forecast is primarily the result of increases in offshore royalties, personal income taxes, and sales tax during the year. While this change is significant, the actual surplus is on par with the revised forecast provided during Budget 2012.

This Province's economy has performed better than many others in the 2011-12 fiscal year; however we remain predominately an exporting Province and therefore, we must manage in the context of a global economic environment. Over the last several years, responsible fiscal management and continued strategic investments have helped the Province navigate through a continued period of global economic uncertainty. However, the end of the recession has not brought with it the robust growth that was anticipated and the Province is not immune to the impact that global economic uncertainty has on commodity prices. As a consequence, the Province must manage within a framework that aligns expenses with revenue and creates long term fiscal stability.

The solid fiscal management practices put in place have provided for significant progress in debt reduction, lower borrowing costs, lower taxes and an improved provincial credit rating. The Province has seen a reduction in net debt by $2.4 billion since 2008. Further, the net debt per capita of $15,264 as at 31 March 2012 has declined substantially in comparison to $20,120 in 2008.

In the near term, the Province will face fiscal challenges given the decline in commodity prices forecasted for 2012 and 2013. The Province's revenues from the oil and mining sectors are expected to be adversely impacted. In 2012 fiscal, brent crude oil, the benchmark for globally traded oil and Newfoundland and Labrador offshore oil, has fallen from US $124.12/barrel at the time of Budget 2012 to US $109.53/barrel in the midyear forecast. Reducing the Province's reliance on revenue from the oil and gas sector through economic diversification and responsible expenditure management will be necessary to support the goal of long term fiscal stability.



THOMAS W. MARSHALL, Q.C.
MINISTER OF FINANCE AND
PRESIDENT OF TREASURY BOARD

21 December 2012

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FINANCIAL REPORTS

Information on the financial picture of the Province can be obtained from the Public Accounts and the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund.

The Public Accounts consists of two volumes. These include:

Volume I: Consolidated Summary Financial Statements

- These are the combined audited financial statements of the Consolidated Revenue Fund (all departments) and government organizations (including Health and School Boards) which are controlled by and therefore accountable to Government.
- These statements present the consolidated financial position of the Province on an accrual basis, in accordance with the accounting standards established for governments by the Canadian Institute of Chartered Accountants (CICA).
- The consolidated summary (accrual) surplus for the year ended 31 March 2012 as presented in Volume I is $882.8 million; net debt is $7.8 billion; and accumulated deficit is $4.2 billion.

Volume II: Consolidated Revenue Fund (CRF) Financial Statements

- These are the audited financial statements of the Consolidated Revenue Fund (all departments) on an accrual basis.
- The CRF (accrual) surplus for the year ended 31 March 2012 as presented in Volume II is $659.8 million; net debt is $8.0 billion; and accumulated deficit is $5.9 billion.

The Auditor General issued an unqualified audit opinion on both volumes of the 2011-12 Public Accounts.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund presents the actual overall budgetary contribution (requirement) of the Consolidated Revenue Fund as at 31 March 2012.

- This report is prepared using the modified cash basis of accounting and is not subject to an audit opinion.
- The budgetary contribution of $700.6 million for the year ended 31 March 2012 is comprised of a current account financial contribution of $1,377.2 million offset by a capital account financial requirement of $676.6 million.

The Public Accounts and the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund can be found on the Government's website at:

www.fin.gov.nl.ca/fin/public_accounts/index.html

Copies of all volumes of the Public Accounts, the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund, and the Financial Statements of Crown Corporations, Boards and Authorities can be obtained at the Queen's Printer, Confederation Building.

FINANCIAL DISCUSSION AND ANALYSIS REPORT

The inclusion of this report, a financial discussion and analysis of the Public Accounts, is a practice recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The Public Sector Accounting Board sets the accounting standards for Canadian senior governments.

Information provided in this report will focus on the consolidated summary financial statements of the Province. Throughout this report, any reference to a particular year means the fiscal year ended in that year. For example, reference to 2012 means the fiscal year ended 31 March 2012.

GLOSSARY OF TERMS

To assist in understanding the discussion and analysis to follow in this report, definitions of the various terms used are provided below:

Accrual Basis:	A method of accounting whereby revenues are recorded when earned and expenses are recorded when liabilities are incurred.
Accumulated Deficit:	Liabilities less total assets. This equals the net accumulation of all annual surpluses and deficits experienced by the Province.
Annual Surplus/ (Deficit):	The excess of annual revenues (expenses) over annual expense (revenues).
Budgetary Contribution/ (Requirement):	The difference between revenues and expenditure cash flows of the Consolidated Revenue Fund generated as a result of the operations of government departments during the year.
Cash Basis:	A method of accounting whereby revenues are recorded when received and expenditures are recorded when paid.
Deferred Revenue:	Represents funding received in advance of revenue recognition criteria being met.
Financial Assets:	Assets (such as cash, receivables and investments) to be used to reduce existing or future liabilities.
GDP:	Gross Domestic Product (at market prices) of the Province.
Interest Cost:	Interest on the Province's debt (e.g. borrowings, unfunded pension liability), as well as other debt related expenses.
Net Borrowings:	Total borrowings (debentures, treasury bills, etc.) less sinking funds. Also referred to as provincial debt in this report.
Net Debt:	Liabilities less financial assets.
Non-Financial Assets:	Assets consumed in the delivery of government services, but not intended to reduce existing or future liabilities. Non-financial assets are primarily comprised of tangible capital assets.

Tangible Capital Assets:	Non-financial assets which are held for use in the production or supply of goods and services and have useful economic lives extending beyond an accounting period. Examples include buildings, roads, infrastructure, marine vessels, heavy equipment and machinery.
Unfunded Pension Liability:	The total unpaid pension benefits earned by existing/former employees and retirees less the value of assets set aside to fund the benefits.

CONSOLIDATED ACCRUAL RESULT

Compared to Previous Year

The difference between the annual surplus of $882.8 million for 2012 and the annual surplus of $593.6 million for 2011 is approximately $289.2 million. While additional variance analysis on the changes in revenue and expense are included later in this report, the following provides a summary of what has contributed to these changes. This increase can be attributed to an increase in total revenues of approximately $527.6 million offset in part by an increase in total expenses of $238.4 million.

The increase in total revenues of approximately $527.6 million from 2011 to 2012 can be attributed to the following revenue sources:

- $395.2 million increase in offshore royalties as a result of higher oil prices, combined with increased production, triggering higher royalty rates;
- $89.4 million increase in mining and mineral rights tax due to better market conditions as compared with the prior year, such as higher mineral prices and higher production levels;
- $73.3 million increase in sales tax due to higher consumer expenditure growth;
- $59.0 million increase in Net Income from Government Business Enterprises;
- $55.7 million increase in personal income tax due to increased growth in personal income combined with tax cuts in the prior year;
- $38.2 million increase in gasoline and other taxation revenue;
- $27.8 million increase in Canada health and social transfers resulting from an increase in the federal program; and
- A net increase in other miscellaneous Provincial revenues of $38.7 million.

These increases in revenues are partially offset by the following decreases:

- $105.8 million decrease in the Atlantic Accord (1985) due to its expiration in the current year;
- $90.4 million decrease in Federal cost-shared programs including Federal/Provincial Infrastructure programs and labour market development programs;
- $45.9 million decrease in corporate income tax due to revision in the Federal payment schedule resulting in a higher payment in the prior year; and
- $7.6 million decrease in fees and fines revenue and other Federal revenue.

The increase in total expenses of $238.4 million from 2011 to 2012 can be attributed to increases experienced in the following types of expenses:

- $163.1 million increase in salaries and employee benefits attributed mainly to negotiated salary increases, introduction of new initiatives and expansion of existing programs;
- $11.5 million increase in operating costs relating mainly to increased quantity and cost of purchased services and supplies;
- $40.7 million increase in professional services primarily as a result of the new agreement reached with physicians;
- $59.0 million increase in grants and subsidies relating to activity level of labour market development programs, affordable housing programs and new and existing health related programs; and
- $18.2 million net increase in other miscellaneous expenses.

These increases in expenses are mitigated somewhat by the following decreases:

- $47.6 million decrease in debt expenses due to lower borrowing levels and a decrease in interest costs associated with the unfunded pension liability; and
- $6.5 million decrease in amortization and (gain)/loss on sale of tangible capital assets.

Compared to Original Budget (Accrual)

The budgeted annual surplus of $59.1 million as per the 2011-12 Budget Speech and the annual surplus of $882.8 million differs by approximately $823.7 million. This difference can be attributed to an increase in total revenues of $767.6 million combined with a decrease in total expenses of $56.1 million.

The difference in total revenues of $767.6 million from the original budget can be attributed to the following revenue sources:

- Offshore royalty revenue, compared to the original budget, increased by $589.0 million due to stronger than expected oil prices;
- Taxation revenues, compared to the original budget, increased by $109.6 million primarily due to increases in personal income tax and sales tax of $80.1 million and $44.6 million respectively, as a result of higher than anticipated growth in personal income and higher than anticipated consumer spending for 2011 and 2012. Other tax revenues increased by $40.8 million. The increase in taxation revenues was somewhat offset by a decrease of $31.5 million in mining and mineral rights tax which resulted from a decrease in the value of shipments during the year, a decrease in corporate income tax of $19.1 million resulting from lower than anticipated corporate profits, and a decrease in gas tax of $5.3 million;
- Net income of government business enterprises increased from the budget by $49.3 million due to higher than anticipated revenues;
- Fees and fines revenue, as compared to original budget, increased by $41.4 million due to higher than anticipated regulatory assessments and levys generally from the Resource Sector; as well as increases in various registration fees, licences and permits; and
- Other miscellaneous sources of revenue, compared to the original budget, experienced a net decrease of $21.7 million.

The difference in total expenses of $56.1 million from original budget can be primarily attributed to the following types of expenses:

- $43.2 million decrease, compared to original budget, in grants and subsidies due to delays and lower than anticipated expenditures in various Federal/Provincial Infrastructure programs.
- $12.9 million net decrease, compared to original budget, in other program expenses.

CASH FLOW ANALYSIS

The Province records its transactions on an accrual basis in accordance with generally accepted accounting principles, the timing of which may vary from when actual cash is paid or received. In 2012, the Province's overall net cash inflow was $230.2 million. As detailed in the following chart, there was a net cash inflow of $290.9 million in the previous year, which resulted in a difference in cash outflow of approximately $60.7 million between 2011 and 2012.

Cash Flow by Category	2012	2011	Difference
	($000's)	*($000's)*	*($000's)*
Operating	1,452,056	1,336,364	115,692
Capital	(749,415)	(743,643)	(5,772)
Financing	(482,873)	(247,311)	(235,562)
Investing	10,421	(54,473)	64,894
Net Inflows (Outflows) of Cash	230,189	290,937	(60,748)

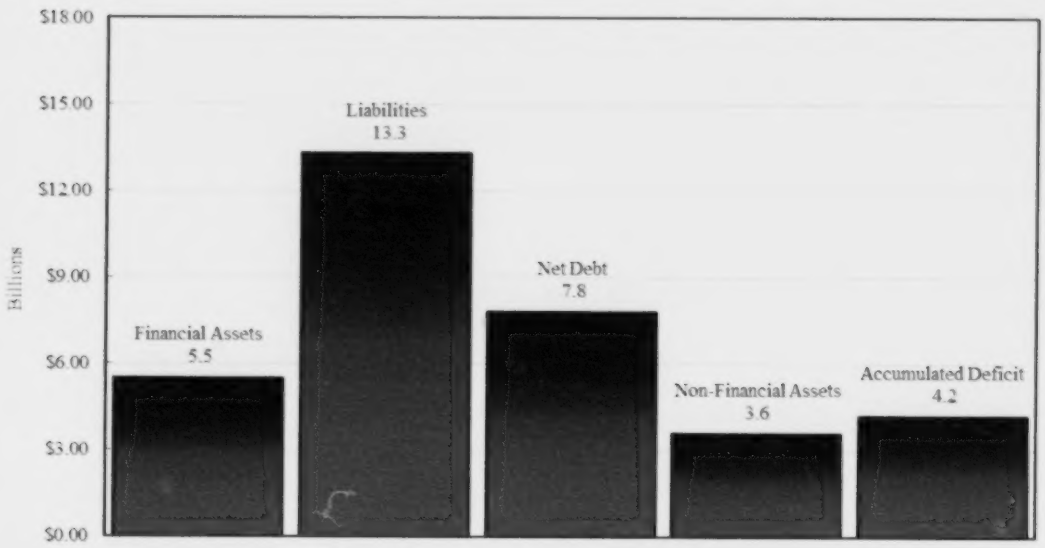
The change in cash flows was primarily driven by increased cash outflows from financing netted against cash inflows from operating.

The increase in cash inflows from operating activities can be attributed to a surplus of $882.8 million in 2012 compared to a surplus of $593.6 million in 2011. For further details, please refer to the 'Consolidated Accrual Result' and 'Highlights – Financial Operations' sections of this report as well as the 'Statement of Operations' and the 'Statement of Cash Flows' in the Consolidated Summary Financial Statements.

Cash outflows from capital activities were impacted due to an increase in tangible capital asset acquisitions in 2012 consistent with the Province's infrastructure investment initiatives.

HIGHLIGHTS – FINANCIAL POSITION

The Province's financial position as at 31 March 2012 is presented in the following chart. As depicted in the chart, the Province's net debt totals $7.8 billion. The net debt is comprised of the difference between total financial assets of $5.5 billion and liabilities of $13.3 billion. The Province's net debt, less non-financial assets of $3.6 billion, results in an accumulated deficit of $4.2 billion. Net debt and accumulated deficit are comprised of the following components:



($ billions)	2012	2011	2010	2009	2008
Borrowings (net of sinking funds)	5.20	5.70	6.01	6.59	6.83
Unfunded Pension Liability	3.09	2.67	2.18	1.70	1.46
Group Health and Life Insurance Retirement Benefits	2.08	1.91	1.77	1.63	1.51
Other Liabilities	2.97	2.95	2.60	2.49	3.57
Less: Total Financial Assets	(5.52)	(4.97)	(4.34)	(4.44)	(3.18)
Net Debt	7.82	8.26	8.22	7.97	10.19
Less: Tangible Capital Assets	(3.49)	(3.11)	(2.61)	(2.40)	(2.32)
Less: Other Non-financial Assets	(0.09)	(0.10)	(0.09)	(0.07)	(0.07)
Accumulated Deficit	4.24	5.05	5.52	5.50	7.80

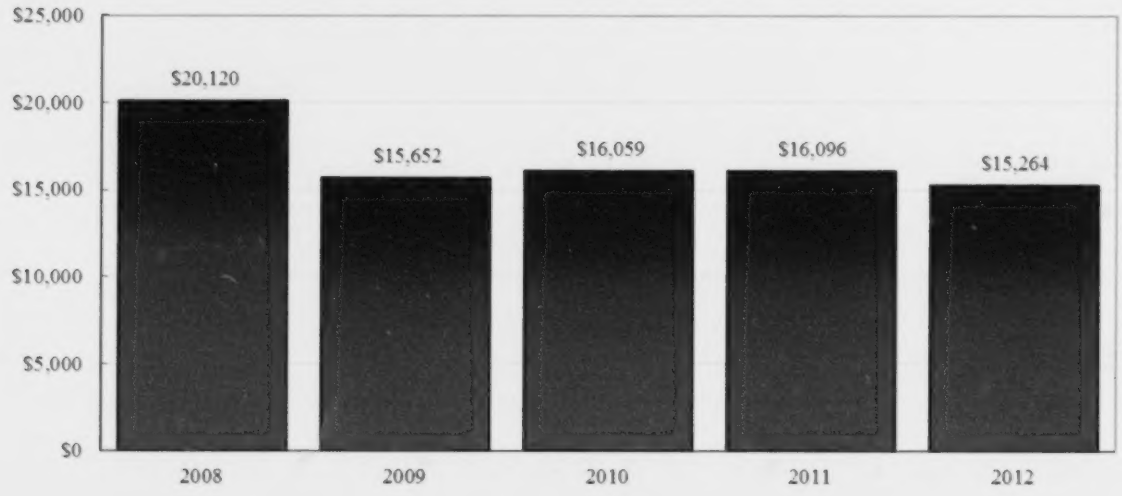
As seen in the previous table, net debt and accumulated deficit have declined significantly from 2008 to 2012. This can be attributed to combined surpluses in 2008, 2009, 2011 and 2012 of approximately $5.2 billion partially offset by a deficit in 2010 of $32.6 million. Although net debt is considerably lower than in 2008, the Province still has significant debt.

Net Debt and Net Borrowing

For the fiscal year ended 31 March 2012, net debt of $7.8 billion included net borrowings of $5.2 billion. Both the net debt and net borrowings for the fiscal year ended 31 March 2012 decreased from the previous year by $430.1 million and by $493.7 million respectively.

a) *Net Debt per Capita*

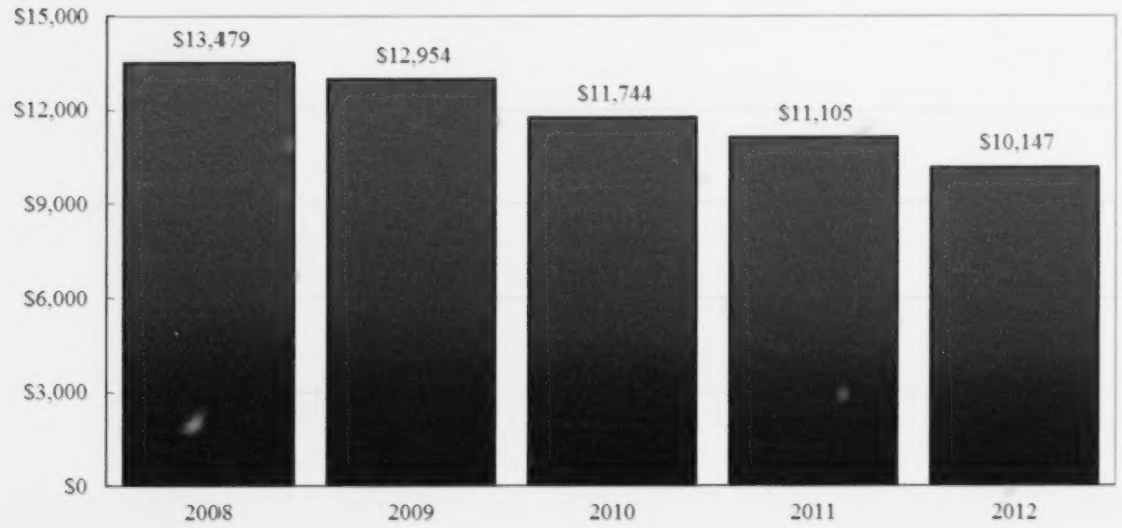
Net debt per capita indicates the average amount of the Province's net debt owing by each citizen of the Province and is calculated by dividing the net debt by the Province's population. Each citizen's share of the net debt decreased in 2012. As presented in the chart that follows, it decreased from $16,096 in 2011 to $15,264 in 2012. This decrease of $832 per person is a result of the previously noted decrease in the Province's net debt. The decrease in the current year is consistent with the substantial decline over recent years which has seen net debt per capita in excess of $20,000 in 2008.



Previous year's numbers have been revised to reflect most recent information available on the Province's population.

b) *Net Borrowings per Capita*

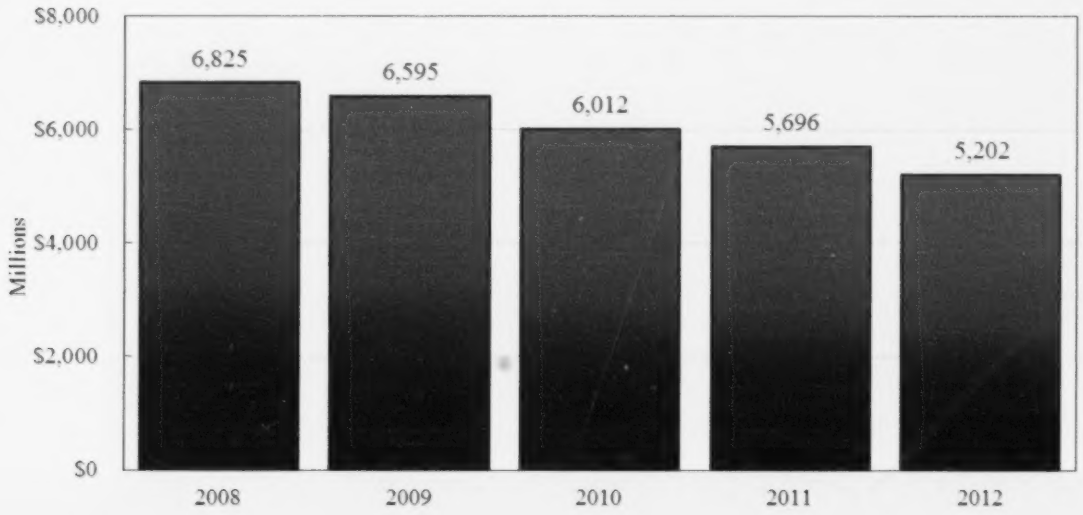
Net borrowings per capita indicates the average amount of provincial debt owing by each citizen of the Province and is calculated by dividing the net borrowings of the Province by its population. A decrease in net borrowings in 2012 has resulted in a decrease in net borrowings per capita of $958 since 2011. The net borrowings per capita are presented in the following chart.



Previous year's numbers have been revised to reflect most recent information available on the Province's population.

c) *Net Borrowings - 5 Year Comparison*

As presented in the following chart, net borrowings of the Province decreased in 2012 by $493.7 million. Net borrowings of $4,935.9 million of the Consolidated Revenue Fund represented the most significant amount of the total net borrowings at 94.9%.

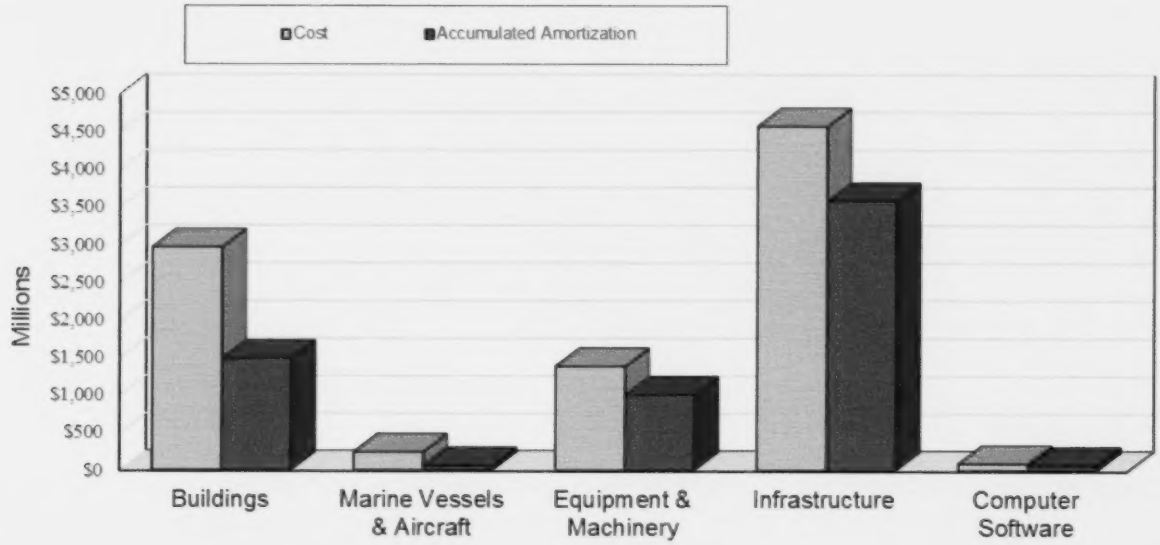


Non-Financial Assets

The total non-financial assets of $3.6 billion in 2012 included prepaid and deferred charges of $43.2 million, inventory of supplies of $47.8 million and tangible capital assets, the most significant component, of $3.5 billion. The net book value of the tangible capital assets increased by $378.1 million from 2011. Analysis of the information in the consolidated summary financial statements related to tangible capital assets follows:

- The increase in net book value of tangible capital assets is the result of acquisitions of $752.5 million in the current year that more than offset disposals and net accumulated amortization;
- Accumulated amortization of tangible capital assets represents 64.0% of the cost of tangible capital assets, which is a slight decrease from 2011. The most significant of the asset categories that are amortized are infrastructure and equipment and machinery where 78.2% and 72.4% of the original cost has been amortized respectively;
- The accumulated amortization as a percentage of total original cost remained relatively consistent, with 2012 at 64.0% and 2011 at 65.5%; and
- Work in progress assets consist of $435.9 million as at 31 March 2012 which is a $98.5 million or 18.4% decrease from 2011. Work in progress is considered to be a tangible capital asset; however, it is not subject to amortization as it is not currently available for use.

The following chart shows the tangible capital asset cost (excluding work in progress) and accumulated amortization by category at 31 March 2012.

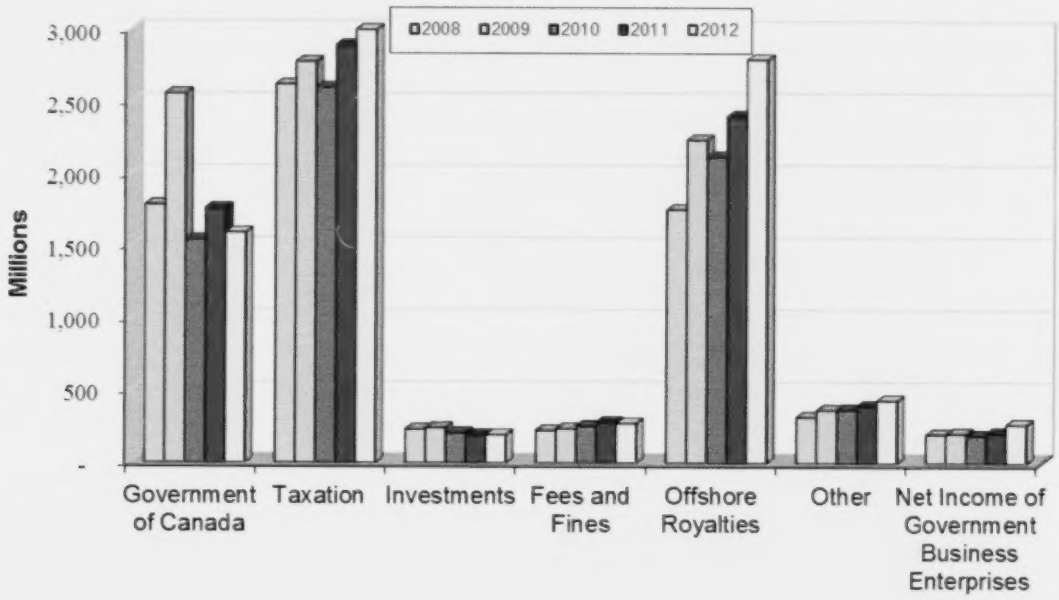


HIGHLIGHTS - FINANCIAL OPERATIONS

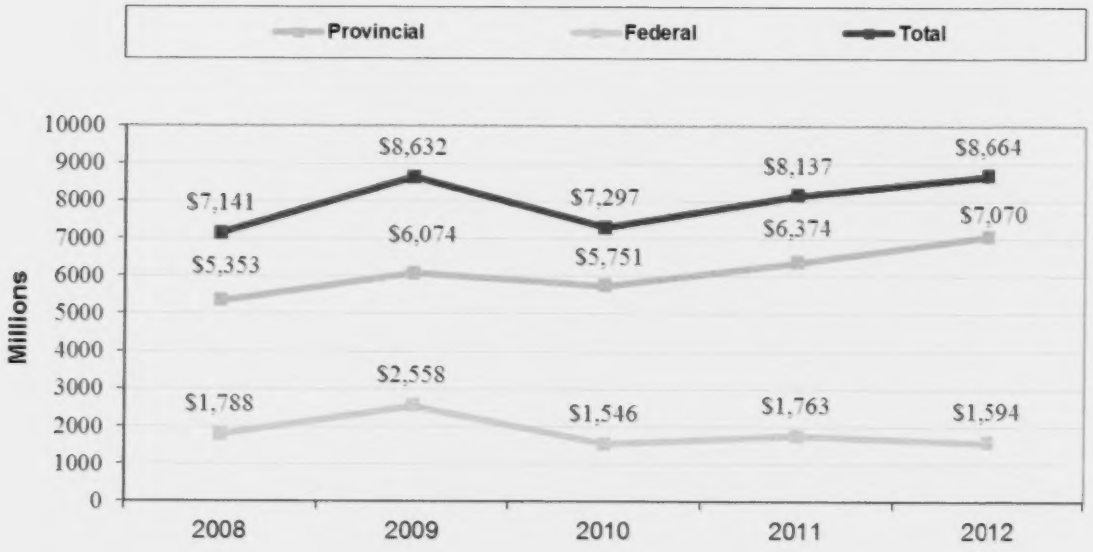
Revenues

Revenues for 2012 totaled $8.7 billion. Provincial revenue sources accounted for 81.6% of this total, which increased by 3.3% compared to 2011. The remaining 18.4% is derived from Federal Government sources. Details on the sources of revenues, including five-year historical comparisons, are provided in the following charts and graphs.

a) Revenues by Source - 5 Year Comparison



b) *Total Revenues - 5 Year Comparison*



From an analysis of the previous charts and the information presented in the consolidated summary financial statements, the following observations can be made:

- Total revenues increased from 2011 by $527.6 million. Since 2008, annual revenues have increased by approximately $1.5 billion.
- Total provincial revenues increased in 2012 by $696.7 million after an increase of $622.4 million in 2011.
- Federal revenue sources have decreased in 2012 by $169.1 million after an increase of $218.0 million in 2011.

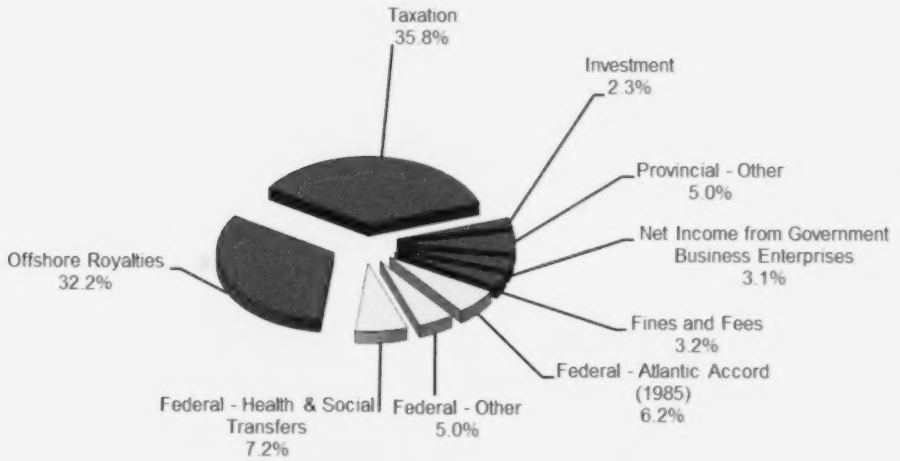
c) *Revenues by Source*

The most significant changes in revenues by source between 2011 and 2012 arise from taxation, offshore royalties and the Atlantic Accord (1985).

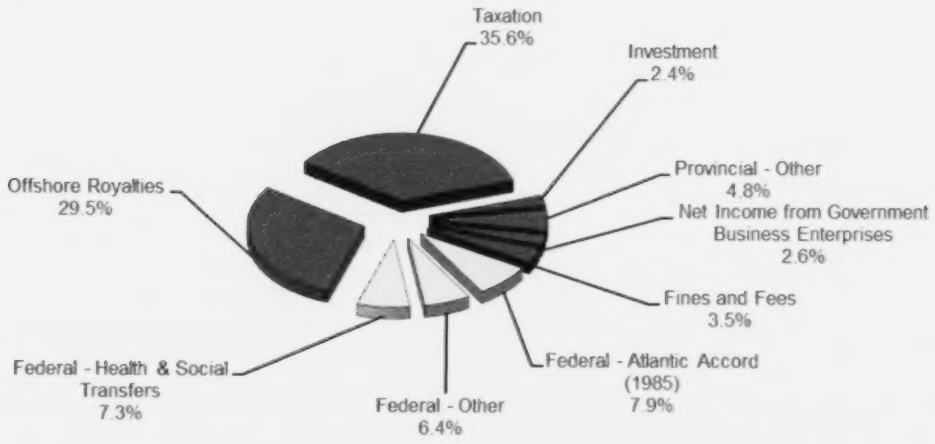
- Offshore royalties were $395.2 million higher in 2012 than in 2011. This increase is a result of higher oil prices and increased production, triggering higher royalty rates. However, the volatility of oil prices creates uncertainty regarding the sustainability of this non-renewable revenue source.
- Taxation revenues were $210.7 million higher in 2012 in comparison to 2011 primarily due to a $89.4 million increase in mining and mineral rights tax, a $73.3 million increase in sales tax and a $55.7 million increase in personal income tax. The increase in mining and mineral rights tax is primarily due to better market conditions. The increase in personal income tax and sales tax is attributable to higher consumer expenditure growth combined with prior year income tax cuts. In addition, there is an increase of $38.2 million in gasoline and other tax revenues. These increases are offset somewhat by a decrease of $45.9 million in corporate income tax resulting partially from a revision in the Federal payment schedule resulting in higher payment in the prior year.
- Revenues from the Atlantic Accord (1985) totaled $536.1 million in 2012, down from $641.9 million in 2011 due to its expiration.

The following graphs display the revenues by source as a percentage of total revenues for 2012 and 2011.

Revenues by Source - 2012



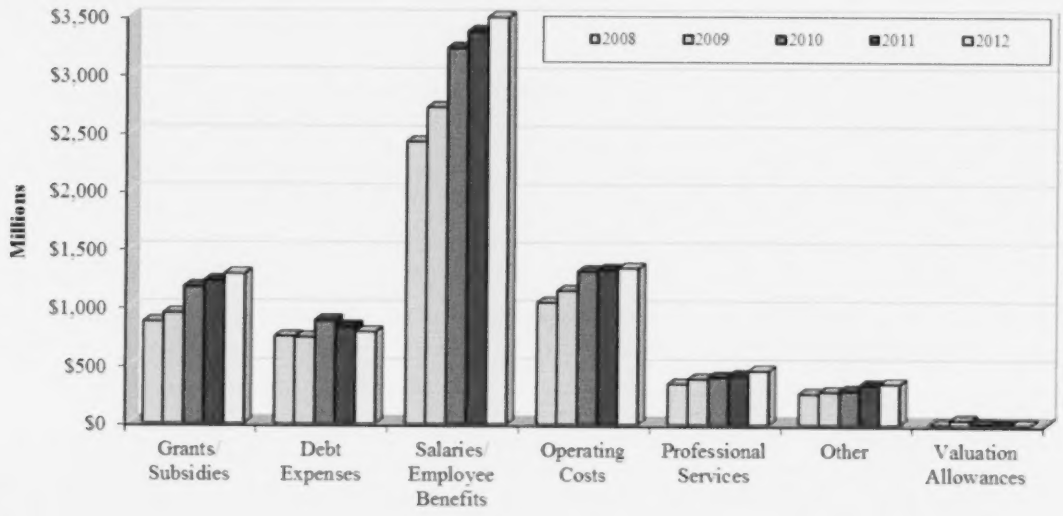
Revenues by Source - 2011



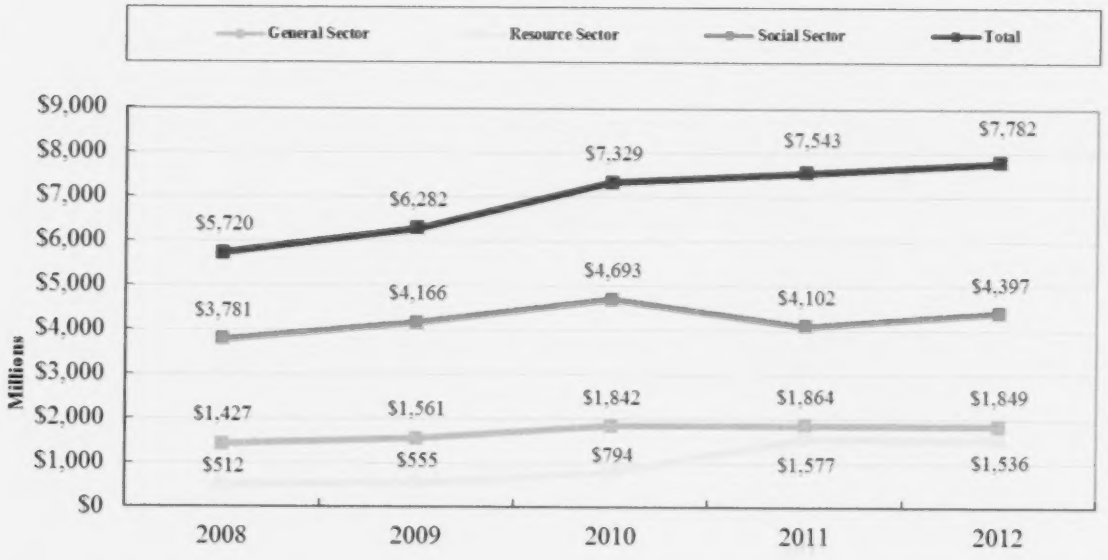
Expenses

The total expenses incurred by the Province for 2012 amounted to $7.8 billion. The following charts and discussion analyze the nature of these expenses by category and sector. In the discussion of expenses by category, it should be noted that the 'Other' category represents minor capital property acquisitions, as well as amortization and loss on sale relating to tangible capital assets.

a) *Expenses by Major Category - 5 Year Comparison*



b) *Expenses by Sector - 5 Year Comparison*



From an analysis of the previous charts and the information presented in the consolidated summary financial statements, the following observations can be made:

- In the past five years, total expenses of the Province have grown by $2.1 billion. The largest growth occurred between 2009 and 2010 at an amount of $1.0 billion.
- Salaries and employee benefits remain the Province's most significant expense, rising steadily over the past five years from $2.4 billion in 2008 to $3.5 billion in 2012.
- The two major components of total expenses are salaries and employee benefits and operating expenses which represent 62.7% of the total for 2012; this is a slight increase compared to 62.5% in 2011.
- Expenses for the social sector were the most significant portion of total expenses by sector in the past five years. This sector's expenses in 2012 were $4,397.2 million, an increase of $295.2 million from 2011, accounting for 56.5% of the total expenses for the year.

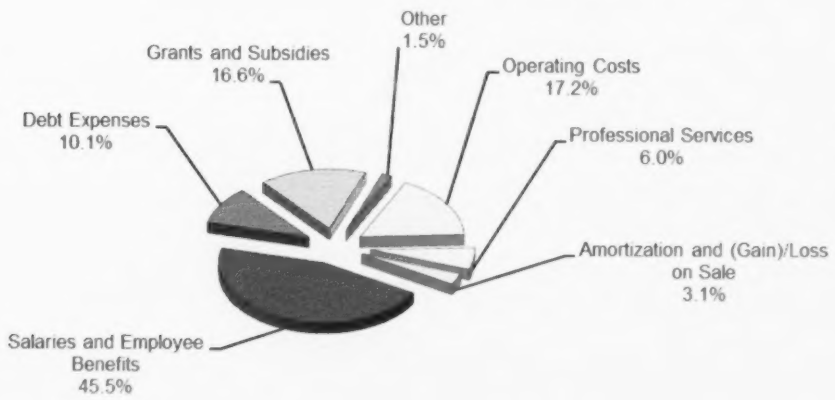
c) *Expenses by Category*

The most significant changes in expenses by category between 2011 and 2012 relate to salaries and employee benefits, operating costs, debt expenses, and professional services.

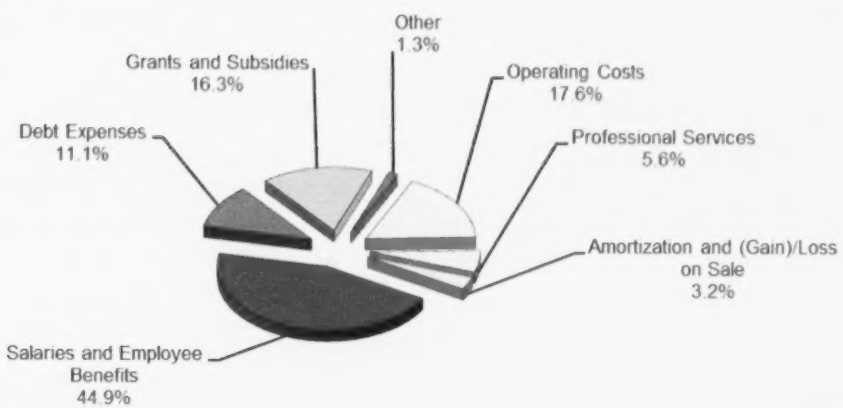
- Salaries and employee benefits increased by $163.1 million between 2011 and 2012. These increases are attributed mainly to negotiated wage increases, implementation of new initiatives and the enhancement of existing programs resulting in additional hires. These increases were offset in part due to the gains experienced on the value of the provincial pension plan assets in the marketplace during 2011, resulting in decreased expense in 2012.
- Operating costs were $11.5 million higher in 2012 than in 2011, primarily attributed to increased repairs and maintenance for buildings and various road construction and maintenance programs.
- The increase in grants and subsidies from 2011 to 2012 was $59.0 million, primarily due to higher expenditures in various employment development, programming and support programs, affordable housing programs and new and existing health care programs, particularly the third party agencies providing community and family support.
- Debt expenses decreased from 2011 to 2012 by $47.6 million due to lower borrowing levels and a decrease in interest costs associated with the unfunded pension liability.
- $40.7 million increase in professional services primarily as a result of the new agreement reached with physicians.
- Amortization and (gain)/loss on sale of tangible capital assets decreased by $6.5 million between 2011 and 2012.
- Other miscellaneous expenses increased by $18.2 million.

The following graphs display the expenses by category as a percentage of total expense for 2012 and 2011.

Expenses by Major Category - 2012



Expenses by Major Category - 2011



KEY INDICATORS

- Key indicators included in this document provide a complete picture of the Province's financial position at 31 March 2012.

- The common key indicators included herein were primarily identified in a research report issued by the Canadian Institute of Chartered Accountants entitled *Indicators of Government Financial Condition*. These indicators, which are used in assessing a government's financial health in the context of the overall economic and financial environment, can be summarized under the headings of *flexibility, sustainability and vulnerability*.

- While there are no established public sector benchmarks for these indicators, one can assess the Province's financial condition through a comparison of previous years' indicators.

- Gross Domestic Product (GDP) and population figures were obtained from Newfoundland and Labrador Statistics Agency's website. Figures used were the latest non-forecasted information available as of 31 March 2012. The figures used in 2012 and 2011 analysis were the most recently available for each respective year.

Flexibility

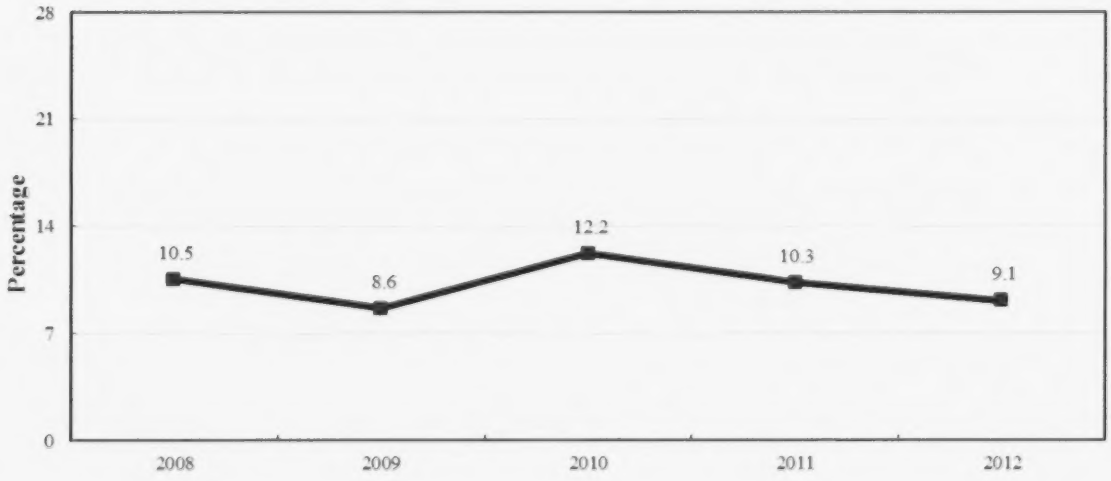
Flexibility refers to the degree to which a government can respond to rising commitments by either expanding its revenues or increasing its debt. Indicators of flexibility include:

a) *Province's Interest Cost as a Percentage of Revenues*

- This ratio measures the extent to which past borrowings may impact the Province's ability to provide for the economic and social needs of its citizens.

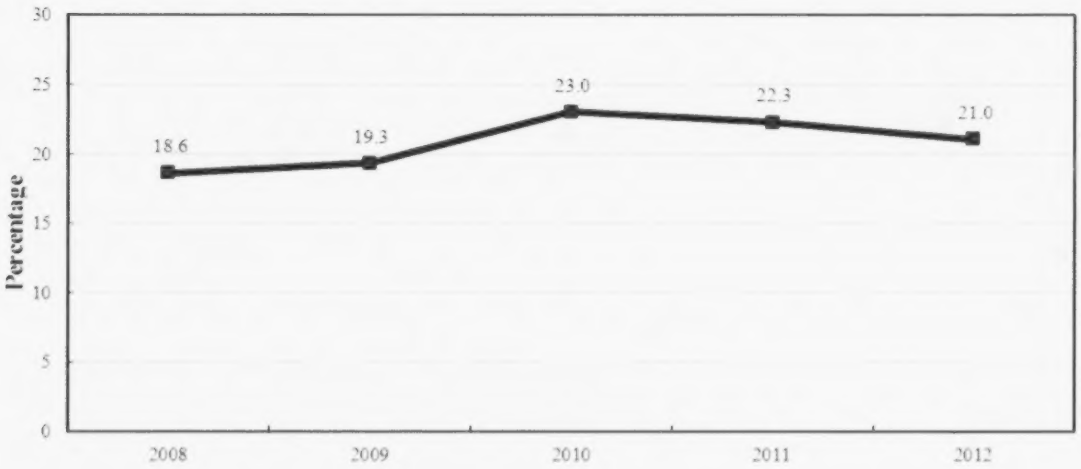
- The following graph indicates that the Province's interest costs as a percentage of revenues has decreased in 2012 to 9.1%. The decrease in the current year is a result of an increase in revenue, primarily offshore royalties as well as mining and mineral rights tax, combined with a decrease in debt expenses from 2011. Over the past five years, the Province's interest costs as a percentage of revenues has decreased from 10.5% in 2008. This reduction is mainly attributable to the Province's increasing revenue base since 2008, as well as its decreasing interest costs.

- The average of this ratio over the past five years is 10.1%. Although declining, interest costs continue to remain a significant expense incurred by the Province.



b) *Provincial Revenues as a Percentage of GDP*

- The purpose of this indicator is to show the extent to which a government is taking income out of the economy in its jurisdiction, through both taxation and user charges.
- The following graph indicates that provincial revenues as a percentage of GDP decreased slightly in the current year which is consistent with 2010-2011. This portrays the impact that the economic downturn is having on the Province.
- The 2012 ratio is 21.0%, a decrease from 22.3% in 2011. This ratio remains above the five-year average of 20.8%.

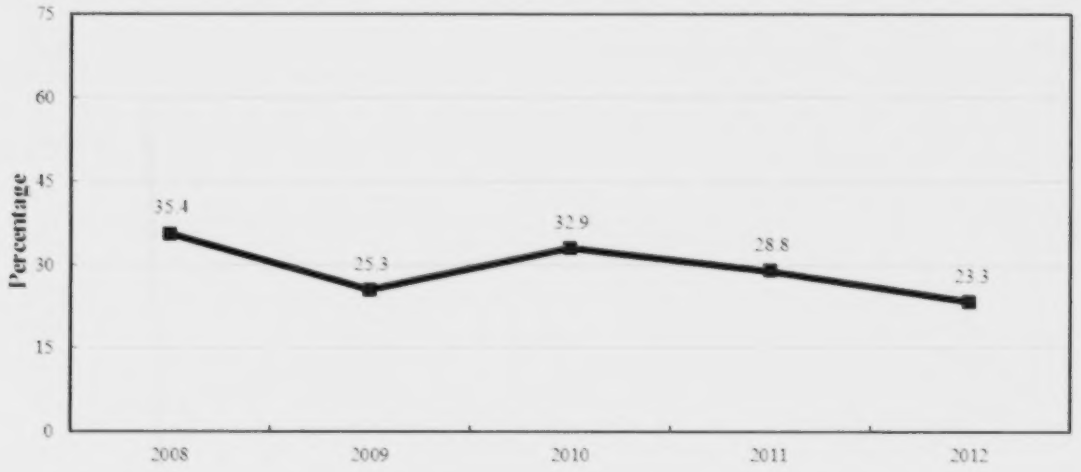


Sustainability

Sustainability refers to the degree to which a government can meet its existing program commitments and creditor requirements without increasing the debt burden on the economy. Indicators of sustainability include:

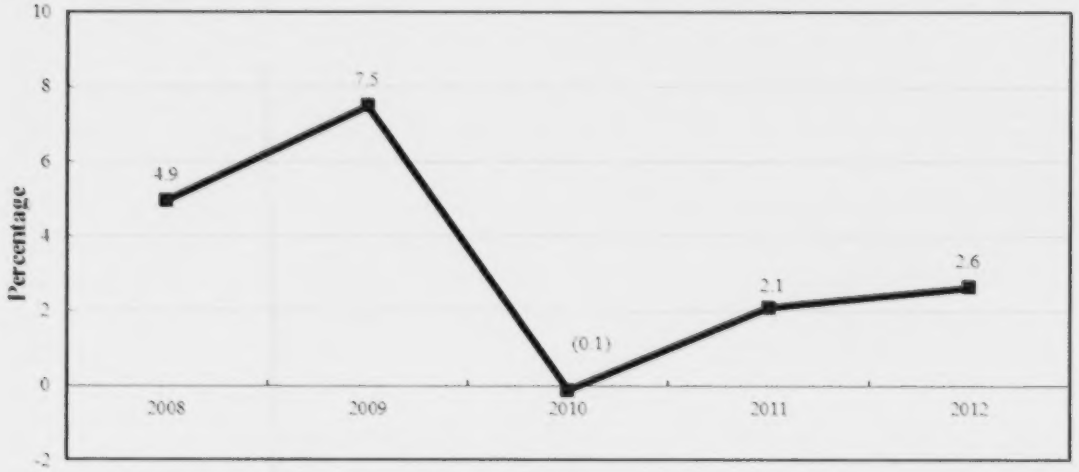
a) *Net Debt as a Percentage of GDP*

- This ratio measures the level of debt that the Province carries as a percentage of its GDP.
- As presented in the following graph, there has been a decrease in net debt as a percentage of GDP in the current year, which is consistent with the prior year and with the steady decline from 2008 to 2009. On a five year basis, the relationship implies that the rate of decline in net debt has been greater than the rate of economic growth and as such, it indicates that Government has increased ability to manoeuver when making fiscal choices.
- The average of this ratio over the past five years is 29.2%. Since 2008, it has experienced a significant decrease of approximately 12.1% .



b) *Annual Surplus (Deficit) as a Percentage of GDP*

- This ratio measures the difference between revenues and expenses expressed as a percentage of GDP.
- As indicated in the following graph, the annual surplus (deficit) as a percentage of GDP continues to rebound to a surplus as a percentage of GDP to 2.6% in 2012 and is consistent with significant increases seen in the period from 2008 to 2009. The average of this ratio over the past five years is 3.4%. The current increase suggests that the Province's ability to meet its financial obligations has improved.

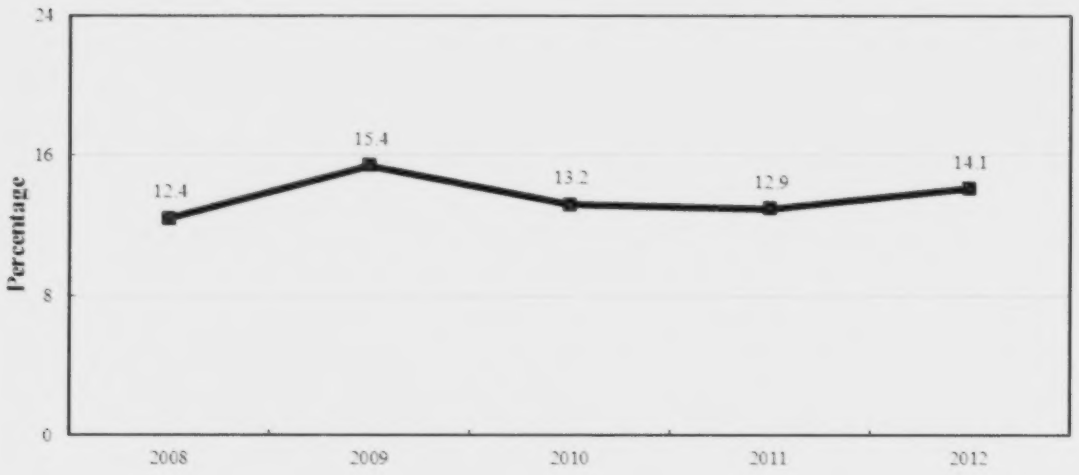


Vulnerability

Vulnerability refers to the degree to which a government is dependent on, and therefore vulnerable to, sources of funding outside of its control or influence. Indicators of vulnerability include:

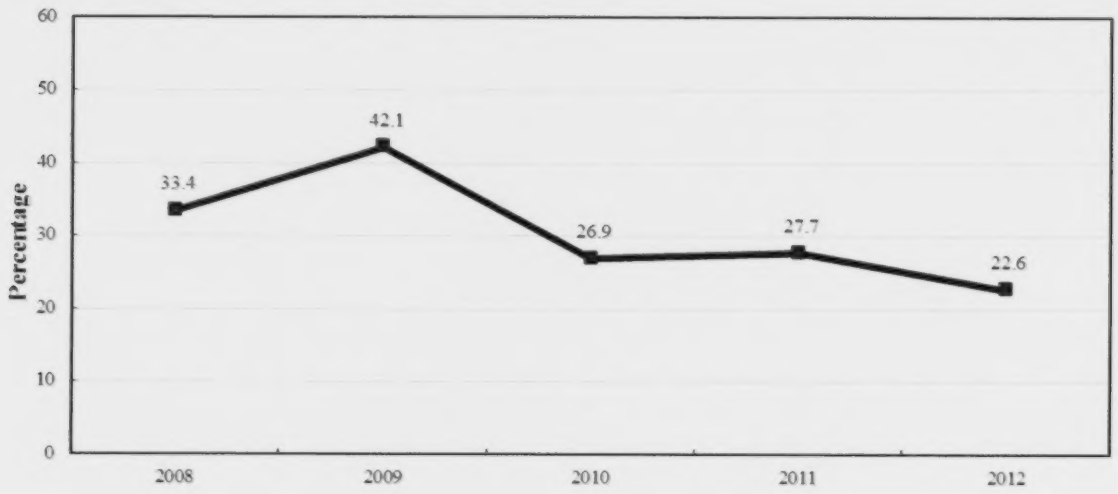
a) *Foreign Currency Debt as a Percentage of Net Borrowings*

- This ratio measures the Province's foreign currency debt relative to its net borrowings. It reflects the degree of vulnerability to which the Province is subject in relation to foreign currency swings.
- As indicated in the following graph, foreign currency debt as a percentage of net borrowings has increased to 14.1% in 2012, to a percentage comparable to 2009. The increase in the current year occurred due to an overall decrease in net borrowings. As the foreign debt borrowings have remained unchanged from the prior year, the Province is no more vulnerable to changes in foreign currency exchange rates than in the previous years.
- The average of this ratio over the past five years is 13.6%. Foreign currency debt has historically represented a significant portion of net borrowings which is consistent with the increase to 14.1%.



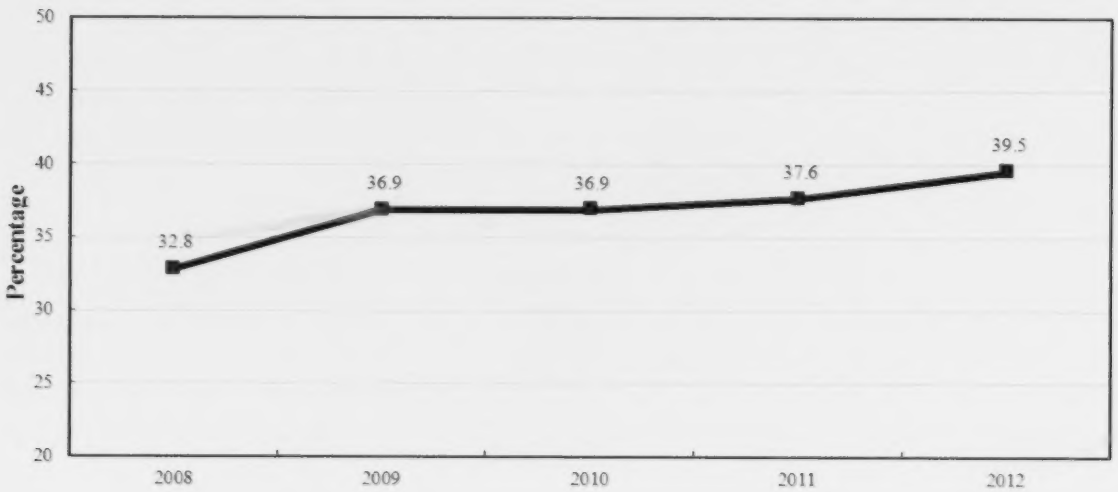
b) *Federal Transfers as a Percentage of Provincial Revenues*

- This ratio measures the extent to which the Province increases its own revenues from within the Province as compared to the extent it receives funds from the Federal Government.
- As indicated in the following graph, federal transfers as a percentage of provincial revenues is much lower than 2011 with a decrease 5.1%. The indicator has been declining since 2006 with the exception of an increase in 2009 and a minimal increase in 2011. The increase in 2009 was primarily due to recognition of the remaining unearned balance of the Atlantic Accord 2005. While this trend indicates that the Province is becoming more self-reliant, the fiscal policy decisions of the Federal Government continue to have an impact on the Province's financial position.
- The 2012 ratio of federal transfers as a percentage of revenue generated from provincial sources has decreased to 22.6% which is less than the five-year average of 30.5%. This indicates the Province's historically heavy dependence on funding from the Federal Government is gradually being reduced.



c) *Offshore Royalties as a Percentage of Provincial Revenues*

- This ratio measures the Province's offshore royalty revenues in relation to total provincial revenues. It reveals the degree to which the Province relies on revenues from offshore royalties as a source of funding.
- As indicated in the following graph, offshore royalties as a percentage of provincial revenues have increased significantly since 2008. This indicates that the Province continues to rely more on offshore royalties for revenues.
- For the past five years, the average ratio of offshore royalties to provincial revenues is 36.7%. In 2012, the ratio is 39.5%, significantly greater than the five year average. Overall, the Province is increasingly more dependent on revenues from offshore royalties; a revenue source which is subject to the volatility of market factors such as the price of oil.



FINANCIAL PERFORMANCE

As presented in this report, the Province continues its trend of surpluses in 2011-12. This will be the sixth surplus in seven years with a cumulative value of almost $5.6 billion. The recent surpluses along with investments in the Province's economy and improved oil prices have better positioned the Province to continue to weather the global financial uncertainty and minimize its impacts on the Province's financial situation. The Province continues to face challenges to reduce the level of debt and must continue to manage our spending and maintain our financial resources at sustainable levels.

Province of Newfoundland and Labrador

Consolidated Summary Financial Statements

For The Year Ended 31 March 2012

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Newfoundland Labrador

Government of Newfoundland and Labrador
Department of Finance

21 December 2012

STATEMENT OF RESPONSIBILITY

Responsibility for the integrity, objectivity and fair presentation of the consolidated summary financial statements of the Province of Newfoundland and Labrador rests with the Government. As required under Section 59 of the *Financial Administration Act*, these consolidated summary financial statements are prepared by the Comptroller General of Finance in accordance with the applicable legislation and in accordance with the accounting policies as disclosed in Note 1 to these consolidated summary financial statements. These consolidated summary financial statements are prepared based upon information provided by the various Government departments and the noted Crown corporations, boards and authorities pursuant to Section 19 of the *Transparency and Accountability Act* and Section 20 of the *Financial Administration Act*.

The Government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained.

The consolidated summary financial statements in this volume include a Consolidated Statement of Financial Position, a Consolidated Statement of Change in Net Debt, a Consolidated Statement of Operations, a Consolidated Statement of Change in Accumulated Deficit, a Consolidated Statement of Cash Flows and notes. Other schedules and notes that are included also form an integral part of these statements.

Pursuant to Section 11 of the *Auditor General Act*, the Auditor General of Newfoundland and Labrador provides an independent opinion on the consolidated summary financial statements.

THOMAS W. MARSHALL, Q.C.
Minister of Finance and President
of Treasury Board

RONALD A. WILLIAMS, CA
Comptroller General of Finance

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OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the House of Assembly
Province of Newfoundland and Labrador

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Province of Newfoundland and Labrador, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statements of change in net debt, operations, change in accumulated deficit, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Government's Responsibility for the Consolidated Financial Statements

Government is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as Government determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Government, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province as at 31 March 2012, and the consolidated results of its operations, the change in its net debt, the change in its accumulated deficit, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required under Section 11 of the *Auditor General Act*, I also report that in my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province as at 31 March 2012, and the consolidated results of its operations, the change in its net debt, the change in its accumulated deficit, and its cash flows for the year then ended in accordance with the accounting policies as disclosed in Note 1 to these consolidated financial statements applied on a basis consistent with that of the preceding year.

Sandra Russell

SANDRA RUSSELL, CA
Deputy Auditor General

4 January 2013
St. John's, Newfoundland and Labrador

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Financial Position
As at 31 March 2012
with comparative figures for 2011

		Actuals 2012 ($000)	Actuals 2011 ($000)
	FINANCIAL ASSETS		
	Cash and temporary investments - note 2	2,442,963	2,212,774
Sch. 1	Receivables (net of valuation allowances)	1,209,003	1,057,909
	Inventories held for resale - note 3	6,984	5,431
Sch. 2	Loans, advances and investments (net of valuation allowances)	368,438	354,309
Sch. 3	Equity in government business enterprises - note 1(b)	1,495,220	1,343,128
	Total Financial Assets	5,522,608	4,973,551
	LIABILITIES		
Sch. 5	Payables, accrued and other liabilities	2,549,544	2,583,720
	Deferred revenue - note 4	252,664	155,610
Sch. 6	Borrowings (net of sinking fund assets)	5,202,203	5,695,925
	Plus: Unamortized unrealized foreign exchange gains (losses) - note 5	171,352	218,356
		5,373,555	5,914,281
	Group health and life insurance retirement benefits - note 6	2,082,629	1,908,810
	Unfunded pension liability - note 7	3,089,515	2,666,539
	Total Liabilities	13,347,907	13,228,960
	NET DEBT	7,825,299	8,255,409
	NON-FINANCIAL ASSETS		
Sch. 9	Tangible capital assets	3,491,555	3,113,435
	Prepaid and deferred charges - note 8	43,243	45,755
	Inventories of supplies - note 3	47,802	49,284
	Total Non-Financial Assets	3,582,600	3,208,474
	ACCUMULATED DEFICIT	4,242,699	5,046,935

Contingent Liabilities - note 9
Contractual Obligations - note 10
Externally Restricted Assets - note 11
Sch. 7 Guaranteed Debt - note 12
Sch. 8 Trust Accounts - note 9(c)(iii)

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Net Debt
For the year ended 31 March 2012
with comparative figures for 2011

	Actuals 2012 ($000)	Original Estimates 2012 (Note 17) ($000)	Actuals 2011 ($000)
NET DEBT - beginning of period	8,255,409	8,217,713	8,220,085
Add (Deduct):			
Adjustments - note 13			
First time adoption of Public Sector Accounting Standards	96,052	-	-
Change in Government reporting entity	1,397	-	-
Compensated absences	-	-	121,834
Government organization changes	(18,933)	-	3,773
ADJUSTED NET DEBT - beginning of period	8,333,925	8,217,713	8,345,692
Surplus (Deficit) for the period	882,752	59,095	593,603
Changes in tangible capital assets			
Acquisition of tangible capital assets	752,542	757,325	746,917
Net book value of tangible capital asset disposals/adjustments	(135,433)	-	(7,400)
Amortization of tangible capital assets	(238,989)	(239,636)	(240,489)
Increase (Decrease) in net book value of tangible capital assets	378,120	517,689	499,028
Changes in other non-financial assets			
Acquisition of prepaid and deferred charges (net of usage)	(2,512)	-	1,566
Acquisition of inventories of supplies (net of consumption)	(1,482)	-	2,726
Increase (Decrease) in other non-financial assets	(3,994)	-	4,292
Increase (Decrease) in net debt	(508,626)	458,594	(90,283)
NET DEBT - end of period	7,825,299	8,676,307	8,255,409

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Operations
For the year ended 31 March 2012
with comparative figures for 2011

		Actuals 2012	Original Estimates 2012 (Note 17)	Actuals 2011
		($000)	($000)	($000)
REVENUE				
Sch. 10	Provincial			
Sch. 10	Taxation	3,103,021	2,993,470	2,892,370
Sch. 10	Investment	195,047	215,770	195,452
Sch. 10	Fees and fines	275,200	233,846	282,063
Sch. 10	Offshore royalties	2,794,633	2,205,600	2,399,444
Sch. 10	Other	433,679	346,330	394,556
Sch. 10	Government of Canada	1,594,410	1,682,703	1,763,485
		8,395,990	7,677,719	7,927,370
Sch. 4	Net income of government business enterprises	268,496	219,217	209,513
	Total Revenue	8,664,486	7,896,936	8,136,883
EXPENSE				
Sch. 11	General Government Sector and Legislative Branch	1,849,017	1,752,781	1,863,835
Sch. 11	Resource Sector	1,535,513	341,604	1,577,399
Sch. 11	Social Sector	4,397,204	5,743,456	4,102,046
Sch. 12	***Total Expense***	7,781,734	7,837,841	7,543,280
ANNUAL SURPLUS (DEFICIT) - note 13(c)		882,752	59,095	593,603

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Accumulated Deficit
For the year ended 31 March 2012
with comparative figures for 2011

	Actuals 2012 ($000)	Original Estimates 2012 (Note 17) ($000)	Actuals 2011 ($000)
ACCUMULATED DEFICIT - beginning of period	5,046,935		5,514,931
Add (Deduct):			
Adjustments - note 13			
First time adoption of Public Sector Accounting Standards	96,052		-
Change in Government reporting entity	1,397		-
Compensated absences	-		121,834
Government organization changes	(18,933)		3,773
ADJUSTED ACCUMULATED DEFICIT - beginning of period	5,125,451		5,640,538
Surplus (Deficit) for the period	882,752	59,095	593,603
ACCUMULATED DEFICIT - end of period	4,242,699		5,046,935

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Cash Flows
For the year ended 31 March 2012
with comparative figures for 2011

	Actuals 2012 ($000)	Actuals 2011 ($000)
Funds provided from (applied to):		
OPERATIONS		
Annual surplus (deficit)	882,752	593,603
Add (Deduct) non-cash items:		
Amortization of foreign exchange (gains)/losses	(20,650)	(17,774)
Amortization of tangible capital assets	238,989	240,489
Retirement costs	592,257	625,733
Valuation allowances	3,074	1,202
Unremitted net income of government business enterprises	(130,496)	(93,513)
Sinking fund earnings	(50,865)	(46,720)
Deferred revenue	97,054	(5,885)
Other	(160,059)	39,229
Net cash provided from (applied to) operating transactions	1,452,056	1,336,364
CAPITAL		
Acquisitions	(752,542)	(746,917)
Disposals	3,127	3,274
Net cash provided from (applied to) capital transactions	(749,415)	(743,643)
FINANCING		
Debt assumed	-	103,246
Debt issued	4,014	4,103
Debt retirement	(539,519)	(290,003)
Special purpose funds/contractors' holdback funds	8,317	(7,400)
Treasury bills redeemed	(1,971,056)	(2,010,974)
Treasury bills purchased	1,971,159	2,009,951
Sinking fund proceeds	114,738	-
Sinking fund contributions	(51,546)	(51,489)
Retirement of pension liabilities	(18,980)	(4,745)
Net cash provided from (applied to) financing transactions	(482,873)	(247,311)
INVESTING		
Loan repayments	60,177	58,576
Loan advances	(22,070)	(15,276)
Investments	(27,686)	(97,773)
Net cash provided from (applied to) investing transactions	10,421	(54,473)
Net cash provided (applied)	230,189	290,937
Cash and temporary investments - beginning of period	2,212,774	1,921,837
CASH AND TEMPORARY INVESTMENTS - end of period - note 2	2,442,963	2,212,774

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Notes to the Consolidated Financial Statements
For the year ended 31 March 2012

1. Summary of Significant Accounting Policies

(a) The Reporting Entity

The Reporting Entity includes the accounts and financial activities of organizations, as approved by Treasury Board, which are controlled by Government. These organizations are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature.

A listing of organizations included in these financial statements is provided in Schedule 15 - Government Reporting Entity.

(b) Method of Consolidation

The accounts of government organizations, except those designated as government business enterprises, are consolidated after adjusting them to a basis consistent with the accounting policies described below. Inter-organizational transactions and balances are eliminated.

A government business enterprise is an organization, included in the reporting entity, that has the financial and operating authority to carry on a business and sell goods and services to individuals and non-government organizations as its principal activity and source of revenue.

Government business enterprises are recorded on the modified equity method. Under this method, the Government's equity in these enterprises is adjusted annually to reflect the net income/loss and other net equity changes of the enterprise without adjusting the enterprise's financial statements to conform with the accounting policies described below. Inter-organizational transactions and balances are not eliminated.

Adjustments are not made to the financial results of government organizations because of fiscal year-ends different than that used for the consolidated entity, unless it would have a significant impact on the consolidated operating results.

(c) Basis of Accounting

(i) *Method*

These financial statements are prepared on the accrual basis of accounting, revenues being recorded when earned and expenses being recorded when liabilities are incurred, with exceptions made in accordance with the applicable significant accounting policies.

(ii) *Revenues*

Revenues from the Government of Canada under the federal-provincial fiscal arrangements, health and social transfers and tax collection agreements are based on regular entitlements received for the current year and adjusted against future years' revenues when known.

Other revenues are recorded on an accrual basis.

(iii) *Expenses*

Expenses are recorded on an accrual basis.

Retirement related costs are determined as the cost of benefits and interest on the liabilities accrued, as well as amortization of experience gains and losses.

(iv) *Assets*

Temporary investments are recorded at cost or market value, whichever is lower.

Receivables are recorded for all amounts due for work performed and goods or services supplied. Valuation allowances are provided when collection is considered doubtful.

Inventories held for resale are recorded at the lower of cost or net realizable value.

Inventories of supplies are comprised of items which are held for consumption that will be used by the Province in the course of its operations.

Loans and advances are recorded at cost. Valuation allowances are recorded to reflect assets at the lower of cost or net recoverable value. Loans made by the Province that are expected to be recovered from future appropriations are accounted for as expenses by providing valuation allowances. Interest revenue on loans receivable is recognized when earned and ceases when collection is not reasonably assured.

Investments are recorded at cost and are written down when there is a loss in value that is other than a temporary decline.

Equity in government business enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described under note 1(b).

Unrealized foreign exchange gains or losses are deferred and amortized on a straight line basis over the remaining term of the debt.

Tangible capital assets held by the Province are recorded at cost or estimated cost less accumulated amortization.

(v) *Liabilities*

Payables, accrued and other liabilities are recorded for all amounts due for work performed, goods or services received or for charges incurred in accordance with the terms of a contract.

Deferred revenue represents amounts received but not earned.

Borrowings, except treasury bills, are recorded at face value and are reported net of sinking funds. Treasury bills are recorded at net proceeds. The Province records foreign-denominated debt in Canadian dollars translated at the exchange rate on the transaction date which is considered to be the issue date; except for the proceeds of hedged transactions which are recorded at the rate as established by the terms of that hedge. Foreign-denominated sinking fund assets are also recorded in Canadian dollars and transactions are translated at the exchange rate used in recording the related debt. At 31 March, foreign debt and sinking funds are adjusted to reflect the exchange rate in effect on that date.

(vi) *Government Transfers*

Government transfers are recognized by the Province as revenues or expenses in the period during which both the payment is authorized and any eligibility criteria are met.

(vii) *Loan Guarantees*

The Province has guaranteed the repayment of principal and interest on certain debentures and bank loans on behalf of Crown corporations, municipalities, private sector companies and certain individuals. A provision for losses on these guarantees is established when it is determined that a loss is likely.

(d) Generally Accepted Accounting Principles

The accounting policies followed in the preparation of these financial statements have been applied consistent with generally accepted accounting principles for senior governments as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

2. Cash and Temporary Investments

Cash and temporary investments consist of:

	31 March 2012 ($mil)	31 March 2011 ($mil)
Cash and temporary investments – Consolidated Revenue Fund (CRF)		
Cash balance (overdraft)	1,258.6	1,183.2
Temporary investments	649.3	550.6
Total cash and temporary investments – CRF	1,907.9	1,733.8
Cash and temporary investments – Other Entities:		
Cash balance (overdraft)	398.1	372.4
Temporary investments	137.0	106.6
Total cash and temporary investments – Other Entities	535.1	479.0
Total: Cash and Temporary Investments (CRF and Other Entities)	2,443.0	2,212.8

Temporary investments consist of investments with financial institutions. As at 31 March 2012, these investments are on call or have maturity dates ranging from 5 April 2012 to 30 June 2020 at interest rates which vary from 0.7% to 7.00%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Inventories

Inventories consist of:

	31 March 2012	31 March 2011
Inventories Held for Resale	($mil)	($mil)
University and college textbooks, stockroom and food supplies	3.5	3.4
Newfoundland and Labrador Housing Corporation land assemblies	0.5	1.3
Other entities	3.0	0.7
Total: Inventories Held for Resale	7.0	5.4
Inventories of Supplies		
Textbooks and stockroom supplies held within the Consolidated Revenue Fund	23.5	24.3
Medical and drug supplies held by health sector entities	21.3	23.5
Other miscellaneous supplies	3.0	1.5
Total: Inventories of Supplies	47.8	49.3

4. Deferred Revenue

Deferred revenue consists of:

	31 March 2012	31 March 2011	Change
	($mil)	($mil)	($mil)
Entities in the education sector relating to the provision of various educational services including contract training and special projects	170.0	84.1	85.9
Entities in the health sector relating to the provision of various health care services including research and other contracts	25.3	10.4	14.9
Federal initiatives in support of community development, employment development and police officers	17.1	15.5	1.6
Gas tax initiatives	14.1	8.5	5.6
Federal government funding for various health care initiatives	4.5	10.9	(6.4)
Other miscellaneous programs including recycling programs, social and economic development and cultural heritage	21.7	26.2	(4.5)
Total: Deferred Revenue	252.7	155.6	97.1

The balance as of 31 March 2012 will be recognized as revenue in the periods in which the revenue recognition criteria have been met.

5. Unamortized Unrealized Foreign Exchange Gains and Losses

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2012 or the exchange rate at maturity for these debt and sinking funds retired during the fiscal year. See Schedule 6 - Borrowings. Details of the effect of these translations at year end are outlined in the table below.

The net amortization expense is $20.7 million which represents a credit adjustment (31 March 2011 - $17.8 million-credit adjustment).

	31 March 2012 ($mil)	31 March 2011 ($mil)
Foreign exchange gain (loss):		
Debt	224.2	253.5
Sinking funds	(67.2)	(70.2)
Net	157.0	183.3
Total accumulated amortization	14.4	35.1
Net unamortized unrealized foreign exchange gains (losses)	171.4	218.4

6. Retirement Benefits - Group Health and Life Insurance

All retired employees of the Government of Newfoundland and Labrador who are receiving a pension from the Public Service Pension Plan, Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan or the Provincial Court Judges' Pension Plan are eligible to participate in the group insurance program sponsored by Government. All retired teachers who are receiving a pension from the Teachers' Pension Plan are eligible for coverage under the group insurance program sponsored by the Newfoundland and Labrador Teachers Association (NLTA) and cost shared by Government. All retired employees of the Newfoundland and Labrador Housing Corporation (NLHC) are eligible to participate in the group insurance plans sponsored by NLHC. All retired employees of Memorial University of Newfoundland (MUN) who are receiving a pension from the Memorial University Pension Plan or another retirement benefit to which MUN contributed are eligible to participate in the group insurance plans sponsored by MUN. These programs provide both group health and group life benefits to enrolled retirees.

Under the plans sponsored by the Province, NLTA and NLHC, the employer contributes 50% towards group health and group life premiums for both employees and retirees. Plans sponsored by the NLTA are subject to the maximum rates under the NLTA's program. For plans sponsored by MUN, the employer also contributes 50% of the total premium charged towards the benefits of both employees and retirees, with the exception of certain retirees whose health benefits are fully funded by MUN. As at 31 March 2012, the total of all the plans provided benefits to 21,121 retirees.

Actuarial Valuations

An actuarial extrapolation was prepared to 31 March 2012 by the Province's actuaries based on the latest actuarial valuation (valuation date of 31 March 2009) for the programs sponsored by the Province and the NLTA. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 3.85%, Consumer Price Index (CPI) of 2.50%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.

An actuarial valuation was prepared by NLHC's actuaries (valuation date 31 March 2012) for the programs sponsored by NLHC. The actuarial valuation was based on a number of assumptions about future events including an interest rate of 5.0%, CPI of 2.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect NLHC's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared to 31 March 2012 by MUN's actuaries based on the latest actuarial valuation (valuation date of 31 March 2011) for the programs sponsored by MUN. The extrapolation was based on a number of assumptions about future events and include an interest rate of 4.45%, CPI of 3.5%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect MUN's best estimates of expected long-term rates and short-term forecasts.

Group Health and Life Insurance Retirement Benefits Liability

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

Plan	Estimated Accrued Benefit Obligation ($mil)	Unamortized Experience Losses ($mil)	Net Liability 2012 ($mil)	Net Liability 2011 ($mil)	Difference ($mil)
Group health retirement benefits	2,719.7	(723.1)	1,996.6	1,825.4	171.2
Group life insurance retirement benefits	112.3	(26.3)	86.0	83.4	2.6
Total	2,832.0	(749.4)	2,082.6	1,908.8	173.8

There are no fund assets associated with these plans.

Group Health and Life Insurance Retirement Benefits Expense

In these statements, group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

Plan	Employer's Share of Current Period Costs ($mil)	Interest Expense on the Liability ($mil)	Employer's Current Period Contributions ($mil)	Current Period Amortization of Experience Changes ($mil)	Other Adjustments ($mil)	Change ($mil)
Group health retirement benefits	71.5	103.6	(36.3)	32.4	-	171.2
Group life insurance retirement benefits	2.3	4.4	(5.1)	1.0	-	2.6
Total	73.8	108.0	(41.4)	33.4	-	173.8

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as debt expenses in the financial statements. Interest expense for 31 March 2011 amounted to $102.8 million.

Experience Gains or Losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount is included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

7. Retirement Benefits - Pensions

Defined Benefits

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for substantially all of its full time employees, and those of its Agencies, Boards and Commissions and for members of its Legislature. The plans are - the Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan, and the Provincial Court Judges' Pension Plan. In addition, Memorial University of Newfoundland (MUN) also has a defined benefit pension plan for full time employees known as the Memorial University of Newfoundland Pension Plan. Combined, the plans have 42,472 participants as at 31 March 2012.

The Plans provide for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer generally matches this amount. As at 31 March 2012, the plans provided benefits to 26,673 pensioners. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan and the Members of the House of Assembly Pension Plan nor to pensioners of the Teachers' Pension Plan who retired prior to 1 September 1998.

In 1980, the Province of Newfoundland and Labrador Pooled Pension Fund was established by the *Pensions Funding Act*, with the Minister of Finance as Trustee. This Fund administers all financial activity, including the collection of all contributions and the payment of pensions and the investment of funds for all the pension plans noted above with the exception of the Memorial University of Newfoundland Pension Plan. The financial activity of the Memorial University of Newfoundland Pension Plan is administered by MUN. The Consolidated Revenue Fund guarantees any deficiency in the event assets of a plan are insufficient to meet benefit payments or administration costs.

Contribution and Benefit Formulae

Public Service Pension Plan

Employee contributions are 8.6% of pensionable salary, less a formulated amount representing contributions to the Canada Pension Plan (CPP). A pension benefit is available based on the number of years of pensionable service times 2% of the employee's best five years average salary, reduced by a formulated amount representing CPP pension benefits for each year since 1967.

During 2006-07 plan legislation was enacted consistent with the two components of the Plan. The Registered component will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund and will provide benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component is administered in the accounts of the Consolidated Revenue Fund and provides for the remainder of benefits under the Plan.

Teachers' Pension Plan

Employee contributions are 9.35% of pensionable salary. A pension benefit is available based on the number of years of pensionable service prior to 1 January 1991 times $1/45^{th}$ of the employee's best five years average salary, plus 2% of the employee's best five years average salary times years of pensionable service after that date, reduced by a formulated amount representing CPP pension benefits for each year since 1967. The CPP reduction only applies to pensioners who retired after 31 August 1998.

During 2006-07 plan legislation was enacted consistent with the two components of the Plan. The Registered component is administered within the Province of Newfoundland and Labrador Pooled Pension Fund and provides benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component is administered in the accounts of the Consolidated Revenue Fund and provides for the remainder of benefits under the Plan.

Memorial University of Newfoundland Pension Plan

Employee contributions are 9.9% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years of pensionable service times 2% of the employee's best five years average salary, reduced at age 65 by a formulated amount representing integration with the CPP.

In addition to the above Registered component, in May 1996, MUN approved a Supplemental Retirement Income Plan to provide benefits to employees whose average salaries upon retirement generate defined benefit pensions that exceed the maximum benefits payable from the Memorial University of Newfoundland Pension Plan as per limits set out in the federal *Income Tax Act*. As well, in February and May 1996, MUN offered employees who reached the age of 55 and attained a minimum of 10 years pensionable service, an opportunity to take an early retirement under the provisions of the Voluntary Early Retirement Incentive Program. The program provided an incentive of enhanced pension benefits of up to five years pensionable service and waiver of actuarial reduction, if applicable, or a lump sum early retirement payment.

Uniformed Services Pension Plan

Employee contributions are 9.95% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years pensionable service times 2% of the employee's best three years average salary, reduced by a formulated amount representing CPP pension benefits since 1967. Grandfathered members have higher service accrual pensions in recognition of their higher contributions.

Members of the House of Assembly Pension Plan

Member contributions are 9% of pensionable salary, which includes salary as a Minister, if applicable. A pension benefit is available after serving as a Member in, at least, two General Assemblies and for, at least, five years. The benefit formula is based on years of service expressed as a percentage of the average pensionable salary for the best three years. The percentage varies being 5% for each of the first ten years, 4% for each of the next five years and 2.5% for each of the next two years of service as a Member. For members elected for the first time after 8 February 1999, the percentage is 5% for the first ten years and 2.5% for each of the next ten years. For members elected for the first time after 31 December 2009 the percentage is 3.5% for each year of service as a Member. The accrued benefit is reduced by a formulated amount representing CPP pension benefits for each year since 1967. Ministers receive an additional pension amount calculated similarly, based on service and pensionable salary as a Minister.

During 2005-06 the *Members of the House of Assembly Retiring Allowances Act* was enacted to restructure the Members of the House of Assembly Pension Plan into two components based on limits set out in the federal *Income Tax Act*. The first, or Registered component, is administered within the Province of Newfoundland and Labrador Pooled Pension Fund. The second, or the Supplementary Employee Retirement component, is administered in the accounts of the Consolidated Revenue Fund.

Provincial Court Judges' Pension Plan

Effective 1 April 2002 (pursuant to the *Provincial Court Judges' Pension Plan Act* enacted 8 June 2004) the Provincial Court Judges' Pension Plan was established with then-existing judges being given the one-time option of transferring from the Public Service Pension Plan. All judges appointed subsequent to 1 April 2002 are required to join this Plan. Employee contributions are 9% of pensionable salary. A pension benefit is available based on the number of years pensionable service times 3.33% of the judge's annual salary. The Registered component of the Plan, administered within the Province of Newfoundland and Labrador Pooled Pension Fund, provides benefits based on limits set out in the federal *Income Tax Act* with the remainder of the benefit provided by the Supplementary component. The Supplementary component is administered in the accounts of the Consolidated Revenue Fund.

Actuarial Valuations

The actuarial valuations which are prepared by the Province's and MUN's actuaries were based on a number of assumptions about future events, such as interest rates, wage and salary increases, inflation rates and rates of employee turnover, disability and mortality. The assumptions used reflect the Province's and MUN's best estimates of expected long-term rates and short-term forecasts. The expected interest and inflation rates follow:

Expected Interest Rates

The expected average interest rate for the Public Service Pension Plan is 7.25%. The expected rate for the Teachers' Pension Plan is 7.25% projected on a long-term basis. The expected rate for the Memorial University of Newfoundland Pension Plan for the Registered component is 6.5% and the Supplemental Retirement Income Plan and the Voluntary Early Retirement Income Plan is 4.45% projected on a long-term basis. The expected rate for the Uniformed Services Pension Plan is 7.25% projected on a long-term basis. The expected rate for the Members of the House of Assembly Pension Plan is 7.25% for the Registered component and 3.85% for the Supplementary Employee Retirement component, projected on a long-term basis. The expected rate for the Provincial Court Judges' Pension Plan is 6.75% for the Registered component and 3.85% for the Supplementary Employee Retirement component, projected on a long term basis.

Expected Inflation Rates

The expected inflation rate for MUN's pension plan is 3.5% and 2.5% for all other plans.

The latest actuarial valuations for the Province's pension plans, according to the administrators of those plans, are dated as listed in the following table:

Pension Plan	Valuation Date
Public Service	31 December 2009
Teachers'	31 August 2009
Memorial University of Newfoundland	31 March 2011
Uniformed Services	31 December 2008
Members of the House of Assembly	31 December 2009
Provincial Court Judges'	31 December 2007

Actuarial extrapolations are provided for accounting purposes by the Province's and MUN's actuaries based on the above dates, unless otherwise noted.

Pension Liability

Details of the pension liability are outlined in the table below. The estimated accrued benefit obligation and the value of the plan assets reported below have been extrapolated by the Province's and MUN's actuaries to 31 March 2012. The actual results of future valuations may result in variances from these extrapolations.

Pension Plan	Estimated Accrued Benefit Obligation	Fund Assets	Unamortized Experience Losses	Net Unfunded Liability 2012	Net Unfunded Liability 2011	Change
	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)
Public Service	6,401.9	3,771.8	(800.5)	1,829.6	1,599.7	229.9
Teachers'	3,950.0	2,413.4	(631.3)	905.3	748.5	156.8
Memorial University of Newfoundland	1,206.9	886.4	(226.2)	94.3	79.6	14.7
Uniformed Services	359.6	152.9	(27.5)	179.2	161.6	17.6
Members of the House of Assembly	103.9	14.7	(18.4)	70.8	68.3	2.5
Provincial Court Judges'	16.1	4.0	(1.8)	10.3	8.8	1.5
Total	12,038.4	7,243.2	(1,705.7)	3,089.5	2,666.5	423.0

Pension Fund Assets, with the exception of the Memorial University of Newfoundland Pension Plan, are valued at the market value at 31 December 2011 and projected to year end. Pension Fund Assets for the Memorial University of Newfoundland Pension Plan are valued at the market value at 31 March 2012.

Special Payments

During the year, MUN made a special payment of $18.98 million towards the balance of the 31 March 2011 unfunded liability.

Pension Expense

In these statements, pension costs have been determined as the cost of benefits accrued during the period. Interest on the unfunded liability has been accrued for the same period.

The change in the unfunded liability for the current period for each plan is comprised of the following amounts:

Pension Plan	Province's Share of Pension Benefits Earned for the Period	Pension Interest Expense on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization of Experience Changes	Other Adjustments	Unfunded Portion of Current Period Pension Change
	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)
Public Service	101.0	158.4	(113.3)	83.8	-	229.9
Teachers'	26.9	91.1	(43.4)	82.2	-	156.8
Memorial University of Newfoundland	26.0	15.0	(44.9)	18.6	-	14.7
Uniformed Services	3.6	13.1	(4.1)	5.0	-	17.6
Members of the House of Assembly	2.2	3.2	(6.2)	3.3	-	2.5
Provincial Court Judges'	1.3	0.4	(0.3)	0.1	-	1.5
Total	161.0	281.2	(212.2)	193.0	-	423.0

Pension interest expense is included with interest as debt expenses in the financial statements. Pension interest expense for 31 March 2011 amounted to $298.5 million.

Experience Gains or Losses

Experience gains or losses are amortized over the estimated average remaining service life of active contributors. The amortization amount is included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

Other Pension Plans

The Government Money Purchase Pension Plan was established for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has approximately 31,382 participants. Employees contribute 5% of their salary to the Plan and the Province generally matches this contribution. Each employee will receive an annuity at retirement, the value of which is determined by their accumulated contributions plus investment earnings. This Plan is administered by the London Life Insurance Company and at 31 March 2012 assets had a market value of $261.0 million (31 March 2011 - $258.8 million).

8. Prepaid and Deferred Charges

Prepaid and deferred charges consist of:

	31 March 2012 ($mil)	31 March 2011 ($mil)
Workers' compensation fees	11.7	10.9
Software licences	7.0	5.5
Property taxes and other municipal fees	4.7	5.8
Insurance costs	4.6	4.4
Maintenance contracts	4.2	5.7
Library operating supplies	1.4	1.6
Rent	0.7	0.7
Computer network and accessories	0.4	3.2
Membership fees and subscriptions	0.4	0.5
Prepaid bursaries and travel costs	-	0.3
Other prepaid and deferred charges	8.1	7.2
Total: Prepaid and Deferred Charges	43.2	45.8

9. Contingent Liabilities

(a) Guaranteed Debt

Guarantees made by the Province as at 31 March 2012 amounted to $1,024.4 million (31 March 2011 - $1,012.1 million). In addition, the Province guaranteed the interest thereon. See Schedule 7 - Guaranteed Debt.

(b) Legal Actions

(i) There have been a number of statements of claim alleging negligence on the part of Government employees and agencies in not preventing abuse while these claimants were under Government care.

(ii) A number of claims have been filed against the Province for alleged breaches of contracts and/or tenders as well as for general damages and personal claims pursuant to action initiated by the Province.

(c) Other

(i) *Registrar of the Supreme Court*

The Province of Newfoundland and Labrador guarantees all sums required to discharge the balances of the Registrar of the Supreme Court as administrator, guardian, trustee, etc. (*Judicature Act*). See Schedule 8 - Trust Accounts.

(ii) *Pensions*

a) Province of Newfoundland and Labrador Pooled Pension Fund

Pursuant to Section 9 of the *Pensions Funding Act*, the Consolidated Revenue Fund is liable for any deficiency in the Province of Newfoundland and Labrador Pooled Pension Fund covered by that Act. See note 7.

b) Memorial University of Newfoundland Pension Fund

Pursuant to Section 6 of the *Memorial University Pensions Act*, if there is insufficient money in the Memorial University of Newfoundland Pension Fund to provide for the payment of applicable expenditures as they fall due, the Consolidated Revenue Fund is liable for payment of an amount to cover the deficiency. As at 31 March 2012, the Memorial University of Newfoundland Pension Plan had a net unfunded pension liability for funding purposes of $293.8 million (31 March 2011 - $317.5 million). However, there currently exists sufficient money in the Fund for the payment of expenditures as they fall due. See note 7.

(iii) *Trust Accounts*

Generally, the Province is contingently liable for any shortage that may occur for certain funds held in trust by the Province. Currently, all obligations held have an offsetting asset. See Schedule 8 - Trust Accounts.

(iv) *Canadian Saltfish Corporation*

On 17 July 1970, the Province entered into an agreement with the Government of Canada for the marketing of saltfish products by the Canadian Saltfish Corporation (the Corporation), pursuant to the *Saltfish Act*. The Agreement provided that the Province is required to pay to the Government of Canada a proportional share of 50 per cent of the losses of the Corporation. This share is based on the total value of annual sales of cured fish products applicable to each participating province.

On 19 February 1993, the Government of Canada requested that the Province compensate it for losses incurred to 31 March 1992. The amount which the Government of Canada calculated as the Province's share of the losses was $21.6 million.

The Corporation was dissolved with effect from 1 April 1995, so that resolution of the matter will be between the Government of Canada and the Province. However, the Province takes the position that for a number of reasons, including the fact that the Corporation engaged in activities beyond its mandate as determined by the Auditor General of Canada and confirmed by the Department of Justice of Canada, it is not liable for the amount claimed.

(v) *Newfoundland and Labrador Student Loans Program*

Under the loan guarantee component of this Program, the Province has no guarantees issued at 31 March 2012. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totalling $10.0 million, of which $7.7 million has been recorded as a provision for likely amounts payable related to student loans due to the debt reduction component. See Schedule 5 – Payables, Accrued and Other Liabilities.

(vi) *Environmental Responsibility*

As a result of delivering its stated programs and initiatives, there are a number of sites throughout the Province which are considered potentially contaminated sites. A liability will be accrued in the financial statements when it has been determined that the Province is liable for a site which has become contaminated and where a reasonable estimate of the remediation costs can be made. To date, $29.7 million has been recorded (see Schedule 5 - Payables, Accrued and Other Liabilities). Where it is uncertain as to whether an obligation exists for the Province to remediate a contaminated site, then information on any such sites will be disclosed as contingent liabilities.

As at 31 March 2012, while the Province is aware of a number of contaminated sites, the full extent of the remediation costs for these known sites is not readily determinable other than those indicated below. It is the responsibility of the departments and entities to identify any other potentially contaminated sites which are owned by the Province and to collect the information necessary to assess the extent or likelihood of any environmental damage. As contaminated sites are identified, additional environmental liabilities may be recognized or contingent liabilities disclosed due to newly identified sites and/or changes in the assessments of currently known sites.

Former Abitibi-Consolidated Sites

In December 2008, the Province passed legislation entitled *Abitibi-Consolidated Rights and Assets Act*, to expropriate certain rights and assets from Abitibi-Consolidated. Abitibi filed for creditor protection, and was granted a stay of creditor proceedings under the *Companies' Creditor Arrangements Act* ("CCAA") in April 2009. The Province petitioned the CCAA court for a declaration that Abitibi is responsible for full compliance with the *Provincial Environmental Protection Act*, which included clean-up of its former sites. The CCAA court ruled that any claims that the Province may have regarding clean-up of the former sites can be compromised and extinguished by the CCAA process, the practical effect of which is that the Province could bear the burden of clean-up of these sites.

In November 2011, the Province brought the matter to the Supreme Court of Canada. The Supreme Court of Canada released its decision on 7 December 2012. As a result of the ruling, the Province is responsible for the remediation costs of sites formerly occupied by Abitibi and owned by the Province. For legal purposes, initial environmental site assessments estimated the extent of the contamination for potential remediation of approximately $265 million. However, further environmental site assessments would be necessary to assess the human health and ecological risks and to determine the methods and related costs required to remediate the contamination. The completion of any such assessments would inform the Province as to the extent of the necessary remediation efforts and costs which would result in the giving up of future economic benefits and the recognition of a liability for the Province. As at March 31, 2012, a liability for $4.6 million has been recorded to address the known health and safety concerns.

Former Mining Sites

The Province owns two former mining sites which have estimated costs for remediation that are potentially significant; the former Baie Verte Asbestos Mine (order of magnitude costs of $40.0 million) and the former Consolidated Rambler Mines Copper Mine (order of magnitude costs of $95.0 million). The Province has completed rehabilitation at these sites designed to address human health and safety issues. No remediation expenditures are planned for the next five years. In addition to these two sites, the Province, by way of the Mineral Strategy, is seeking to complete an inventory and risk based priority list of orphaned and abandoned mines.

Newfoundland and Labrador Housing Corporation Sites

Possible environmental liabilities exist for the Newfoundland and Labrador Housing Corporation in relation to the following: potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area; environmental contaminants including hydrocarbons and various heavy metals in soil and groundwater on 20 hectares in the Paradise area; underground fuel tanks in various property locations in St. John's; and, a possible environmental liability relating to electrical transformers containing polychlorinated biphenyls (PCBs) located around various St. John's properties. The expenditures to date for environmental remediation of these sites is $3.5 million with future site restoration costs estimated at $19.8 million.

10. Contractual Obligations

Contractual obligations consist of:

	31 March 2012	31 March 2011
	($mil)	($mil)
Capital projects	728.8	774.4
Lease payments	235.8	125.4
Provincial policing agreement	142.3	58.5
Power purchase agreements	130.5	125.2
Economic development	118.8	139.6
Reserve fund	75.0	10.5
Ferry services	55.2	23.5
Information technology services	51.4	48.2
Transmission service agreements	42.8	63.0
Letters of credit	25.9	22.4
Telephone services	7.6	12.4
Energy savings projects	4.5	4.6
Food services	1.3	1.3
Forestry management	-	10.9
Other agreements	62.2	33.2
Total: Contractual Obligations	1,682.1	1,453.1

Contractual obligations are those to outside organizations in respect of contracts entered into before 31 March 2012. These contractual obligations will become liabilities when the terms of the contracts are met. Payments in respect of these contracts and agreements for the Consolidated Revenue Fund are subject to voting of supply by the Legislature.

11. Externally Restricted Assets

Externally restricted assets amount to $108.8 million (31 March 2011 - $102.0 million) of which $101.5 million relates to Memorial University of Newfoundland which consists primarily of assets held for endowment purposes whereby the principal is not expendable. Income earned on these assets is required to be used for the purpose specified by the donors and hence cannot be used for other operating purposes. The externally restricted assets consist of donations and investments which are to be used for scholarships, assistance, professional recruitment and development, equipment and other external endowments. Externally restricted assets of other entities amount to $7.3 million which relate to various donations designated for specified purposes.

12. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt (see note 9(a)) is nil (31 March 2011 - nil).

13. Adjustments to Beginning Balances

(a) First Time Adoption of Public Sector Accounting Standards

As a result of government organizations having to follow Public Sector Accounting Standards, the Net Debt and Accumulated Deficit have been restated. For the 31 March 2012 fiscal year, an increase in Net Debt of $96.1 million (31 March 2011 - $ nil) relates to Government entities' conversion to Public Sector Accounting Standards. These changes have been applied retroactively without restatement.

(b) Change in Government Reporting Entity

Net Debt and Accumulated Deficit have been restated by a $1.4 million increase (31 March 2011 - $ nil) relating to changes to entities included in the Government reporting entity. These changes have been applied retroactively without restatement.

(c) Compensated Absences

The Province's employees working full-time and part-time hours receive sick leave that is earned at varying amounts. Unused hours can be carried forward for future paid leave, up to predetermined maximum amounts. This is an unfunded program with no specific assets segregated to meet the obligations when they come due.

During the year, the Province estimated its sick leave liability in accordance with the Public Sector Accounting Standard PS3255, based upon the Province's best estimate of the probability of the employees utilizing the benefits and current salary levels. In addition, entities included in the government reporting entity also applied this standard based on the use of best estimates. These changes have been applied retroactively with restatement. Net Debt and Accumulated Deficit have been restated as at 31 March 2011 by $121.8 million. The liability for the Province and entities as at 31 March 2012 was $132.0 million (31 March 2011 - $126.1 million). Expenses related to this liability increased in 2012 by $5.9 million and in 2011 by $4.3 million and consequently the annual surplus decreased by these amounts for those fiscal years.

(d) Accounting Policies and Entity Restatements

Change in entity accounting policies and entity restatements resulted in a decrease of $18.9 million (31 March 2011 - $3.8 million increase). This adjustment primarily relates to differences in accounting policies for a Government Business Enterprise as it pertains to recognizing accumulated other comprehensive income arising from changes in fair value of financial instruments, derivative instruments and hedging activities. These changes have been applied retroactively without restatement.

14. Change in Government Structure

Under sections 5 and 17 of the *Executive Council Act*, government departments were reorganized effective 28 October 2011. Pursuant to Cabinet direction, the new financial structure for the departments commenced for the 2011-12 fiscal year. The comparative figures have been restated to reflect this new departmental structure.

15. Measurement Uncertainty

Measurement uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available. Some examples of where measurement uncertainty exists are the accrual of retirement benefits, the allowance for guaranteed debt and the accrual of self-insured workers' compensation benefits.

16. Borrowing Contributions (Requirements)

The following summary compares the actual amounts for the year ended 31 March 2012 with amounts included in Statement I (Summary of Cash Requirement) of the Estimates approved by the Legislature. Please refer to the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the year ended 31 March 2012 for further information on the calculation of the Total Borrowing Contribution - CRF of $411.3 million noted below.

Borrowing Contributions (Requirements)	Actual	Estimates	Increase (Decrease)
	($mil)	($mil)	($mil)
CRF	411.3	(769.4)	(1,180.7)
Other Entities	178.5	-	(178.5)
Total Borrowing Contributions (Requirements)	589.8	(769.4)	(1,359.2)

17. Original Estimates

Certain amounts in the statements and exhibits of the 2011-12 Budget Speech shown for comparative purposes were prepared on the accrual basis as described under note 1(c)(i).

In addition, amounts for Net Debt (Consolidated Statement of Change in Net Debt) as per these statements and exhibits have also been presented for comparative purposes.

18. Additional Notes

In addition to the aforementioned, there are various other notes disclosed in the schedules which follow.

19. Comparatives

Certain of the 31 March 2011 financial statement figures and related schedules have been restated to be consistent with the 31 March 2012 statement presentation.

Schedule 1

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Receivables
As at 31 March 2012
with comparative figures for 2011

	2012	2011
	($000)	($000)
Accounts receivable	721,705	732,236
Taxes receivable	343,279	219,609
Due from Government of Canada	227,688	183,511
Accrued interest receivable	11,832	14,361
	1,304,504	1,149,717
Less: Allowance for doubtful accounts	95,501	91,808
Total: Receivables	1,209,003	1,057,909

Schedule 2

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Investments
As at 31 March 2012
with comparative figures for 2011

	2012	2011
	($000)	($000)
Loans and Advances		
Student loans	155,229	170,279
Municipalities	68,279	86,223
Commercial	64,408	66,350
Housing	4,379	7,365
Other	197	382
Total: Loans and Advances	292,492	330,599
Less: Allowance for doubtful loans and advances	79,326	86,385
Provision for loan repayments through future appropriations (municipalities)	66,571	84,459
Discounts due to concessionary terms on loans - note 2	5,945	6,581
	140,650	153,174
Investments		
Equity Investments:		
Administered by Memorial University of Newfoundland	38,857	37,400
Administered by Newfoundland & Labrador Film Development Corporation	23,754	18,956
Administered by Business Investment Corporation	14,505	17,258
Cold Ocean Salmon Inc.	10,000	10,000
Northern Harvest Sea Farms Newfoundland Ltd.	8,000	2,000
Country Ribbon Inc.	4,500	4,500
Burton's Cove Logging and Lumber	3,818	1,800
Icewater Seafoods Inc.	3,500	3,500
Gray Aqua Group Ltd.	3,000	1,000
ACF Equity Atlantic Inc.	2,231	2,231
Administered by Janeway Children's Hospital Foundation	1,601	1,203
Administered by Multi-Materials Stewardship Board	1,037	768
Orphan Industries Limited	824	970
Blue Line Innovations Inc.	500	500
Consilient Technologies Corporation	500	500
Dynamic Air Shelters Ltd.	500	500
Marine Industrial Lighting Systems	500	-
Newfound Genomics Inc.	500	500
SAC Mfg. Inc.	500	500
Sexton Lumber Co. Ltd.	500	500
Newlab Clinical Research Inc.	484	500
Blue Drop Inc.	-	500
Other	3,523	3,636
	123,134	109,222

SUMMARY FINANCIAL STATEMENTS

LOANS, ADVANCES AND INVESTMENTS (continued)

	2012	2011
	($000)	($000)
Other Investments:		
Administered by Newfoundland and Labrador Immigrant Investor Fund Limited	91,150	88,774
Memorial University of Newfoundland - Fixed Income	50,788	39,387
Administered by Janeway Children's Hospital Foundation	4,396	4,269
Dr. H. Bliss Murphy Cancer Care Foundation - Endowment Funds investments	1,145	1,081
Government of Canada Coupon investments	119	313
	147,598	133,824
Total: Investments	270,732	243,046
Less: Allowance for write-down of investments	42,944	41,911
	227,788	201,135
Total: Loans, Advances and Investments	368,438	354,309

NOTES

1. **Interest Rates and Loan Terms**
   Interest rates for all loans range from non-interest bearing to 14.0% and are payable over terms not exceeding 29 years.

2. **Discounts Due to Concessionary Terms on Loans**
   Presentation has been changed in fiscal 2012 and comparative figures for 2011. The discount is the portion of the receivable that represents the difference between the face value and the present value of the loan. The loans are reported at their present value due to the concessionary terms in the loan agreement. In previous years, this discounting was included as a component of the Allowance for Doubtful Accounts. This change in presentation has been applied retroactively with restatement.

Schedule 3

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Equity in Government Business Enterprises
As at 31 March 2012
with comparative figures for 2011

	NL Liquor Corporation 7 Apr 2012	Nalcor Energy 31 Dec 2011	Total 2012	Total 2011
	($000)	($000)	($000)	($000)
Equity - beginning of year	62,328	1,280,800	1,343,128	1,244,315
Adjustment to opening balance	2,496	-	2,496	-
Adjusted equity - beginning of period	64,824	1,280,800	1,345,624	1,244,315
Net income for year	141,796	126,700	268,496	209,513
Accumulated other comprehensive income - see note	-	19,100	19,100	5,300
Capital transactions:				
Transfers from government	-	-	-	16,000
Transfers to government	(138,000)	-	(138,000)	(132,000)
Equity - end of year	68,620	1,426,600	1,495,220	1,343,128
Equity represented by:				
Assets				
Cash and temporary investments	31,419	35,600	67,019	88,893
Receivables	10,403	164,200	174,603	144,576
Oil and gas properties	-	279,400	279,400	254,400
Inventories	34,702	63,500	98,202	95,702
Prepaid and deferred charges	6,375	71,200	77,575	78,685
Investments	-	-	-	1,700
Reserve fund	-	45,400	45,400	39,300
Capital and intangible assets	20,513	2,108,600	2,129,113	1,985,142
Total Assets	103,412	2,767,900	2,871,312	2,688,398
Liabilities				
Accounts payable and accruals	34,792	437,300	472,092	406,170
Deferred government assistance	-	11,300	11,300	2,600
Borrowings	-	892,700	892,700	936,500
Total Liabilities	34,792	1,341,300	1,376,092	1,345,270
Equity	68,620	1,426,600	1,495,220	1,343,128

NOTE

Other Comprehensive Income

Other comprehensive income comprises revenues, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income. Comprehensive income is the change in equity (net assets) of an enterprise during a period of transactions and other events and circumstances from non-owner sources.

Schedule 4

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Net Income of Government Business Enterprises
For the year ended 31 March 2012
with comparative figures for 2011

	NL Liquor Corporation 7 Apr 2012	Nalcor Energy 31 Dec 2011	Total 2012	Total 2011
	($000)	($000)	($000)	($000)
Revenue				
Revenue from operations	288,957	729,900	1,018,857	892,199
Expense				
Expenses from operations	147,161	603,200	750,361	682,686
Net Income	141,796	126,700	268,496	209,513

NOTE

Related Party Transactions

For the year ended December 31, 2011, Nalcor Energy earned related party revenues regarding a rate subsidy, funding to support new and offshore petroleum exploration, funding for energy conservation as well as oil and gas royalties for a total amount of $4.2 million (2011 - $7.1 million). Nalcor Energy incurred related party expenses in relation to power purchase agreements, cost of application hearings, operation of Exploits assets, various rentals and royalties, and a debt guarantee fee. Netted against these expenses is the funding received from the Province related to Nalcor's obligation under the Upper Churchill Redress Agreement. This offsetting amount results in a cost recovery of expenses in the amount of $16.1 million (2011 - $17.6 million - expense).

In relation to the above listed related party transactions for Nalcor Energy, there exists accounts receivable, accounts payable and deferred credits. As at March 31, 2012, accounts receivable include $41.1 million (2011 - $2.7 million); accounts payable include $20.0 million (2011 - $10.6 million); and deferred credits include $10.4 million (2011 - $2.5 million).

For the year ended April 7, 2012, Newfoundland and Labrador Liquor Corporation is leasing office and warehouse space from the Department of Transportation and Works. These leases are rent free to the Corporation; however, all operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation.

Schedule 5

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Payables, Accrued and Other Liabilities
As at 31 March 2012
with comparative figures for 2011

	2012 ($000)	2011 ($000)
Accrued salaries and employee benefits - note 1	972,027	951,857
Accounts payable	676,571	716,706
Due to Government of Canada	612,379	603,945
Accrued interest payable	151,503	151,908
Due to municipalities	64,547	83,001
Capital leases - note 2	31,515	32,483
Environmental liabilities	29,720	21,615
Provision for student loan debt reduction payable	7,708	8,844
Other	3,574	13,361
Total: Payables, Accrued and Other Liabilities	2,549,544	2,583,720

NOTES

1. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of $421.5 million for severance (31 March 2011 - $428.5 million), $353.7 million for leave and other employee benefits (31 March 2011 - $339.9 million), $164.8 million for salaries (31 March 2011 - $151.6 million) and $32.0 million related to the self-insured workers' compensation benefits liability (31 March 2011 - $31.8 million). During the 2010-11 fiscal year, an actuarial valuation as of 31 December 2010, with disclosures as at 31 March 2012, was obtained for the Province's self-insured workers' compensation benefits.

2. Capital Leases

Interest rates for all capital leases range from non-interest bearing to 12.4% and have repayment schedules ranging in duration from less than a year to 11 years.

Schedule 6

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Borrowings
As at 31 March 2012
with comparative figures for 2011

	2012				2011
	Total Borrowings	Sinking Fund Balance	Net Borrowings	Interest Rate Range	Net Borrowings
	($000)	($000)	($000)	(%)	($000)
Consolidated Revenue Fund					
Treasury bill borrowings	492,823	-	492,823	0.91 - 0.98	492,721
General debentures	4,927,001	912,896	4,014,105	4.50 - 11.00	4,284,205
Sun Life Assurance Company of Canada	93,707	-	93,707	7.55 - 9.20	97,051
Government of Canada	335,296	-	335,296	4.91 - 10.04	376,180
	5,848,827	912,896	4,935,931		5,250,157
Health care organizations	171,393	12,063	159,330	prime-0.63-10.50	169,535
Newfoundland and Labrador Municipal Financing Corporation	55,262	-	55,262	4.70 - 6.85	80,378
Newfoundland and Labrador Housing Corporation	24,099	-	24,099	1.67 - 2.75	25,596
Memorial University of Newfoundland	15,568	-	15,568	5.19 - 5.88	17,107
School Districts	12,013	-	12,013	prime-1 - 5.46	11,152
Student Loan Corporation of Newfoundland and Labrador	-	-	-	0.52 - 1.28	142,000
Total: Borrowings	6,127,162	924,959	5,202,203		5,695,925

See accompanying notes.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE SCHEDULE OF BORROWINGS
As at 31 March 2012

1. Borrowings

Borrowings and unamortized foreign exchange losses, by major currency, and sinking funds as at 31 March 2012 are as follows:

Major Currencies	Foreign Borrowings	Exchange Rate	Canadian	Unamortized Foreign Exchange Gains/(Losses)	Net
	($000)		($000)	($000)	($000)
U.S.	1,050,000	0.9975	1,047,375	229,855	1,277,230
Canadian			5,079,787	-	5,079,787
		Sub-total	6,127,162	229,855	6,357,017
	Foreign sinking funds		(313,565)	(58,503)	(372,068)
	Canadian sinking funds		(611,394)	-	(611,394)
		Total	5,202,203	171,352	5,373,555

2. Contributions and Repayment Requirements

Sinking fund contributions and debt repayments which are not funded by a sinking fund, by major currency, in Canadian dollars are as follows:

	U.S.	Canadian	Total
	($000)	($000)	($000)
2012-2013	7,250	124,507	131,757
2013-2014	7,250	69,562	76,812
2014-2015	7,250	364,151	371,401
2015-2016	7,250	333,029	340,279
2016-2017	5,000	52,441	57,441
2017-2043	22,500	1,352,732	1,375,232
	56,500	2,296,422	2,352,922

3. Foreign Exchange Gain

The foreign exchange gain which has been recognized on the Consolidated Statement of Operations is $20.7 million (31 March 2011 - $17.8 million).

4. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2012 would result in an increase/decrease in foreign borrowings of $10.5 million (31 March 2011 - $10.5 million).

NOTES TO THE SCHEDULE OF BORROWINGS (continued)

5. Related Sinking Fund Investments

At year end, the Province held $576.1 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2011 - $625.7 million) which are reflected in the sinking fund balances disclosed in note 1 above. These were comprised of $446.0 million in Canadian investments and $130.1 million in US investments.

6. Debt Related Risk

The practice of borrowing in both domestic and foreign currencies may potentially give rise to a number of risks including interest rate, credit, foreign exchange and liquidity risk. Interest rate risk is the risk that debt servicing costs will increase due to changes in interest rates while credit risk is the risk that a loss may occur from the failure of another party to meet its obligations under a derivative financial instrument contract. As well, foreign exchange risk is the risk that debt servicing costs will increase due to a decline in the value of the Canadian dollar relative to other currencies while liquidity risk is the risk that financial commitments will not be met over the short-term.

The Province attempts to manage its exposure to these risks and minimize volatility in its debt expenses by following a conservative debt and risk management strategy. The Province's debt portfolio is structured such that virtually all of its debt is long-term with fixed interest rates and fixed repayment terms. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. Hence, the Province's exposure to interest rate and credit risk is minimal as a result of its conservative debt management strategy.

While the majority of the Province's debt is domestic in nature, there are a number of US dollar denominated debt issues. All of these are long-term issues and the Province has established sinking funds, also in US dollars, to provide repayment of the debt at maturity. For debt servicing purposes, short-term forward contracts are occasionally entered into when favorable exchange rates are available to minimize exposure to foreign exchange risk.

The Province's exposure to liquidity risk is managed by distributing debt maturities over several years, maintaining sinking funds for the repayment of certain long-term debt issues and holding adequate cash reserves or short-term borrowings as contingent sources of liquidity.

Nalcor Energy operates in an environment with various forms of financial risk including changes in interest rates, and fluctuation in foreign currency exchange rates and commodity prices. Nalcor Energy utilizes a combination of financial instruments and portfolio management to manage these risks. Net borrowings of Nalcor Energy is reflected in the Equity in government business enterprises on the Consolidated Statement of Financial Position.

Schedule 7

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Guaranteed Debt
As at 31 March 2012
with comparative figures for 2011

	2012 ($000)	2011 ($000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	999,843	976,612
Municipalities	470	474
	1,000,313	977,086
Guaranteed Bank Loans		
Fisheries	22,380	28,789
Other corporations	1,706	6,241
	24,086	35,030
Total: Guaranteed Debt	1,024,399	1,012,116

NOTES

1. Limit of Loan Guarantees

The limit of loan guarantees for Guaranteed Debentures is $1,000.3 million and $39.0 million for Guaranteed Bank Loans.

2. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt is nil (31 March 2011 - nil).

Schedule 8

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Trust Accounts
As at 31 March 2012
with comparative figures for 2011

	2012 ($000)	2011 ($000)
Office of the Public Trustee - note 1	29,705	-
Teachers' Accrued Salary Trust Account	8,736	8,726
Federal/Provincial Contractors' Security Account	8,477	6,516
Registrar of the Supreme Court	7,810	32,766
Rate Stabilization Fund	6,286	6,025
Patients' Funds Held in Trust	6,068	5,586
Consolidated Tender Account	5,239	2,048
Scholarships and Awards	4,874	3,107
Support Enforcement	900	1,157
Replacement Reserve Funds	715	1,472
Provincial Courts Trust Account	559	452
Other Trust Accounts	2,130	1,839
Total: Trust Accounts	81,499	69,694

NOTES

1. Office of the Public Trustee

During the year, the Office of the Public Trustee was created, originating from the Registrar of the Supreme Court. The balance for the new trust has been reflected for 2012. The comparatives are not restated given this is a new entity for the current fiscal year.

2. Workplace, Health, Safety and Compensation Commission

The Workplace, Health, Safety and Compensation Commission (the Commission) is considered to be a form of trust. For the most recent fiscal year ended 31 December 2011, the Commission reported a net fund deficiency of $71.6 million (31 December 2010 - net fund deficiency of $54.0 million) and an accumulated operating deficit of $72.2 million (31 December 2010 - $78.8 million). Under legislation, no liability on behalf of the Province has been established.

Schedule 9

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Tangible Capital Assets
As at 31 March 2012
with comparative figures for 2011

Category	Original Cost: Balance 31 March 2011 ($mil)	Original Cost: Additions 2012 ($mil)	Original Cost: Disposals 2012 ($mil)	Original Cost: Balance 31 March 2012 ($mil)	Accumulated Amortization: Balance 31 March 2011 ($mil)	Accumulated Amortization: Amort. Net of Disposals 2012 ($mil)	Accumulated Amortization: Balance 31 March 2012 ($mil)	Net Book Value 31 March 2012 ($mil)	Net Book Value 31 March 2011 ($mil)
Buildings	2,757.6	270.1	66.2	2,961.5	1,339.1	145.6	1,484.7	1,476.8	1,418.5
Marine vessels & aircraft	145.5	110.4	15.6	240.3	67.9	(4.8)	63.1	177.2	77.6
Equipment & machinery	1,293.2	107.5	19.8	1,380.9	940.7	59.2	999.9	381.0	352.5
Infrastructure	4,221.7	352.8	2.7	4,571.8	3,513.3	62.7	3,576.0	995.8	708.4
Computer software	80.0	10.3	0.1	90.2	58.0	7.3	65.3	24.9	22.0
Sub-total	8,498.0	851.1	104.4	9,244.7	5,919.0	270.0	6,189.0	3,055.7	2,579.0
Work in progress				435.9				435.9	534.4
Total				9,680.6				3,491.6	3,113.4

NOTES

1. Tangible Capital Assets

Tangible capital assets are capitalized on the Consolidated Statement of Financial Position with the cost of the assets amortized over the estimated useful life of the assets.

2. Work In Progress

Work in progress is considered to be a tangible capital asset, however it is not amortized as it is not yet available for use. Government currently has a number of projects under construction or development with a total for 31 March 2012 of $435.9 million (31 March 2011 - $534.4 million) having been spent on these projects to date. Upon completion, these assets are recorded in the appropriate category in the schedule. The additions of $851.1 million include $371.2 million of work in progress assets that have been capitalized in the year. Additions to work in progress assets amount to $272.7 million for 2011-12.

TANGIBLE CAPITAL ASSETS (continued)

3. Amortization Expense

Amortization net of disposals in the amount of $270.0 million as reported in the schedule consists of amortization expense of $239.0 million less accumulated amortization on assets disposed of in the year in the amount of $29.8 million. The remaining $60.8 million is the result of adjustments by certain entities and the removal of entities from the Government reporting entity.

Amortization net of disposals as at 31 March 2011 was $210.4 million which consisted of amortization expense of $240.5 million less accumulated amortization on assets disposed of in the year in the amount of $30.7 million. The remaining deduction of $0.6 million is the result of adjustments by certain entities.

4. Estimated Useful Life

The historic cost of the assets is estimated in many cases, and amortization is calculated on a straight line basis over the following useful lives:

Asset	Estimated Useful Life
Buildings	40 years
Marine vessels & aircraft	
Marine vessels	20 years
Aircraft	20 years
Equipment & machinery	
Heavy machinery and equipment	20 years
Snow removal equipment	10 years
Office/other machinery and equipment	10 years
Vehicles	5 years
Computer hardware	4 years
Infrastructure	
Roads	20 years
Airstrips	20 years
Marine facility infrastructure	20 years
Other infrastructure	20 years
Land	indefinite
Bridges	40 years
Computer software	7 years

The above useful lives reflect the policies of the Consolidated Revenue Fund. Amortization reported by other organizations included in the Government reporting entity is recorded in these statements as per the amortization policies of these other organizations. These policies may differ from those identified above.

5. Historical or Cultural Assets

In accordance with current accounting standards, certain assets which have historical or cultural value belonging to the Province are not included in this schedule. Such assets consist of paintings, sculptures, historical documents, and historical and cultural artifacts.

TANGIBLE CAPITAL ASSETS (continued)

6. Intangible and Inherited Assets

Intangible assets and items inherited by right of the Crown, such as Crown lands, forest, and mineral resources, are not recognized as tangible capital assets in accordance with current accounting standards.

7. Leased Assets

The gross amount of leased tangible capital assets is $122.6 million (31 March 2011 - $67.4 million), amortization expense is 1.4 million (31 March 2011 - $2.5 million) and accumulated depreciation is $49.6 million (31 March 2011 - $48.3 million). These are included in the appropriate category in the schedule.

8. Expropriated Assets

In December 2008, the Province passed legislation entitled Abitibi-Consolidated Rights and Assets Act, to expropriate certain rights and assets from Abitibi-Consolidated. The intent of this Act was to return to the Province rights relating to timber and water use, as well as assets and land associated with the generation of electricity enabled by water use rights. As a result of the expropriation, the Province also assumed responsibility of other assets associated with the pulp and paper mill. While the Province has licensed Nalcor Energy to manage and operate the hydro electricity generating assets on behalf of the Province, no decision has been made on whether the assets will continue to be held by the Province, or transferred to Nalcor Energy or other parties. Nalcor Energy is operating these electricity generating assets on a cost recovery basis and with revised power purchase rates now applying to these facilities. As the value of the electricity generating assets expropriated, and their ultimate use, have not been determined, any payments related to subsection 10.(2) of the Act have been recorded as tangible capital assets. $148.2 million (net) has been recorded as the cost of the electricity generating assets for the fiscal year ended 31 March 2012 and are included in the infrastructure category. As the value of the non-electricity generating assets expropriated, and their ultimate future use have not been determined, they have been recorded as tangible capital assets at a nominal amount.

Schedule 10

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue by Source
For the year ended 31 March 2012
with comparative figures for 2011

	Actuals 2012 ($000)	Actuals 2011 ($000)
Provincial Sources		
Taxation		
Personal income tax	942,454	886,797
Sales tax	873,177	799,850
Corporate income tax	486,654	532,588
Mining and mineral rights tax	317,449	228,076
Gasoline tax	168,566	168,902
Other	314,721	276,157
	3,103,021	2,892,370
Investment		
Sinking fund earnings	55,772	52,743
Interest	32,049	33,110
Other	107,226	109,599
	195,047	195,452
Fees and Fines		
Fees	265,352	257,570
Fines	9,848	24,493
	275,200	282,063
Offshore royalties	2,794,633	2,399,444
Other		
Cost recoveries	56,540	43,427
Sales and rentals	56,472	59,994
Miscellaneous	320,667	291,135
	433,679	394,556
Total Provincial Sources	6,801,580	6,163,885
Federal Sources		
Health and social transfers	625,347	597,506
Atlantic Accord (1985)	536,121	641,862
Cost-shared programs	384,496	474,922
Other	48,446	49,195
Total Federal Sources	1,594,410	1,763,485
Net income of government business enterprises - see note	268,496	209,513
Total: Revenue by Source	8,664,486	8,136,883

NOTE

See Schedule 4 for a breakdown by entity.

Schedule 11

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Department
For the year ended 31 March 2012
with comparative figures for 2011

	Actuals 2012 ($000)	Actuals 2011 ($000)
General Government Sector and Legislative Branch		
General Government Sector		
Consolidated Fund Services	358,156	381,597
Executive Council	127,469	106,311
Finance	808,162	776,309
Public Service Commission	5,642	5,197
Service NL	45,455	42,759
Transportation and Works	476,688	529,409
Legislative Branch		
Legislature	27,445	22,253
	1,849,017	1,863,835
Resource Sector		
Advanced Education and Skills	1,138,793	1,154,431
Environment and Conservation	82,602	72,058
Fisheries and Aquaculture	21,515	23,919
Innovation Business and Rural Development	30,541	55,859
Natural Resources	192,837	204,514
Tourism, Culture and Recreation	69,225	66,618
	1,535,513	1,577,399
Social Sector		
Child, Youth and Family Services	164,230	152,499
Education	763,112	657,802
Health and Community Services	2,846,344	2,665,066
Justice	240,950	222,541
Municipal Affairs	249,681	256,409
Newfoundland and Labrador Housing Corporation	132,887	147,729
	4,397,204	4,102,046
Total: Expenses by Department	7,781,734	7,543,280

NOTE

Expenses by Department include expenses by organizations in the Government reporting entity which report to that department.

Schedule 12

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Object
For the year ended 31 March 2012
with comparative figures for 2011

	Actuals 2012 ($000)	Actuals 2011 ($000)
Salaries and employee benefits	3,542,848	3,379,712
Operating costs	1,341,172	1,329,688
Grants and subsidies	1,290,289	1,231,324
Debt expenses	789,425	837,058
Professional services	464,096	423,442
Amortization and (gain)/loss on the sale of tangible capital assets	237,352	243,890
Property, furnishings and equipment - see note	113,478	96,964
Valuation allowances	3,074	1,202
Total: Expenses by Object	7,781,734	7,543,280

NOTE

This amount includes expenses for property, furnishings and equipment that do not meet the established definition or thresholds for tangible capital assets.

Schedule 13

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue and Expense by Sector
For the year ended 31 March 2012

	General Government Sector and Legislative Branch	Resource Sector	Social Sector	Total
	($000)	($000)	($000)	($000)
REVENUE				
Provincial				
Taxation	3,143,009	148	-	3,143,157
Investment	183,827	8,267	2,953	195,047
Fees and Fines	138,052	122,412	14,736	275,200
Offshore Royalties	556	2,794,077	-	2,794,633
Other	53,068	200,001	206,542	459,611
Government of Canada	1,210,295	207,994	176,108	1,594,397
	4,728,807	3,332,899	400,339	8,462,045
Net income of government business enterprises	141,796	126,700	-	268,496
Total Sector Revenue - note 2	4,870,603	3,459,599	400,339	8,730,541
EXPENSE				
Salaries and employee benefits	597,227	687,432	2,300,087	3,584,746
Operating costs	371,028	293,874	682,884	1,347,786
Grants and subsidies	36,757	463,652	807,361	1,307,770
Debt expenses	729,237	32,023	28,165	789,425
Professional services	29,641	28,521	405,996	464,158
Amortization and loss on sale of tangible capital assets	82,260	42,706	112,386	237,352
Property, furnishings, and equipment	2,867	9,257	101,354	113,478
Valuation allowances	-	992	2,082	3,074
Total Sector Expense - note 3	1,849,017	1,558,457	4,440,315	7,847,789
Sector Results - before adjustments	3,021,586	1,901,142	(4,039,976)	882,752
Inter-Sector Eliminations	(40,136)	12,352	27,784	-
Annual Surplus (Deficit)	2,981,450	1,913,494	(4,012,192)	882,752

See accompanying notes.

NOTES TO THE SCHEDULE OF REVENUE AND EXPENSE BY SECTOR
For the year ended 31 March 2012

1. Sectors

The sectors identified above are consistent with the presentation of the Consolidated Statement of Operations and the 2011-12 Estimates. Each sector includes the revenue and expenses of the applicable departments and the organizations in the Government reporting entity which report to their respective department. Certain amounts have been allocated on a systematic basis. Refer to Schedule 11 - Expenses by Department for a list of departments included within each sector.

2. Sector Revenue

Sector revenues include revenues generated from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total eliminations pertaining to revenues amount to $66.1 million resulting in total revenue of $8,664.5 million as per the Consolidated Statement of Operations.

3. Sector Expense

Sector expenses include expenses incurred from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total eliminations pertaining to expenses amount to $66.1 million resulting in total expense of $7,781.7 million as per the Consolidated Statement of Operations.

Schedule 14

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Reconciliation of Budgetary Contribution (Requirement) to Consolidated Accrual Results
For the year ended 31 March 2012
with comparative figures for 2011

	Actuals 2012 ($000)	Actuals 2011 ($000)
Budgetary Contribution (Requirement)	700,606	452,931
Surplus (Deficit) - Actuals (consolidated accrual)	882,752	593,603
Difference - note 1	(182,146)	(140,672)
The difference is comprised of the following:		
Consolidated Revenue Fund - note 2:		
Sinking fund earnings	(55,707)	(52,197)
Accrued retirement costs - interest	368,305	378,320
Accrued retirement costs - other	203,598	225,311
Amortization of foreign exchange gains/losses	(22,349)	(19,067)
Other debt expenses	901	9,728
Bad debt expenses	(1,752)	2,684
Amortization expense related to tangible capital assets	118,373	125,414
Tangible capital asset acquisitions/adjustments - net	(386,290)	(379,625)
Inventories of supplies	798	(2,474)
Accrued revenues and expenses	(185,086)	(250,038)
	40,791	38,056
Other entities - note 3:		
General Government Sector and Legislative Branch	(2,791)	(782)
Resource Sector	(181,474)	(67,315)
Social Sector	(38,672)	(110,631)
	(222,937)	(178,728)
Difference	(182,146)	(140,672)

See accompanying notes.

NOTES TO THE RECONCILIATION OF BUDGETARY CONTRIBUTION (REQUIREMENT) TO CONSOLIDATED ACCRUAL RESULTS
For the year ended 31 March 2012

1. Reconciliation of Budgetary Contribution (Requirement) to Consolidated Accrual Results

This schedule reconciles the budgetary contribution (requirement) of the Consolidated Revenue Fund as per the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund to the accrual surplus (deficit) on a consolidated basis. The change shown consists of year end accrual adjustments for the Consolidated Revenue Fund and accounting policy adjustments to the annual results of government organizations. The original budgeted consolidated accrual surplus for the period as per the Estimates was $59.1 million.

2. Consolidated Revenue Fund

The Consolidated Revenue Fund accrual surplus for 31 March 2012 was $659.8 million as per Volume II of the Public Accounts. The original budgeted Consolidated Revenue Fund accrual deficit for the Province of $25.7 million was not disclosed in the 2011-12 Estimates but was obtained from internal documentation.

Sinking fund earnings represent the interest earned on the sinking funds during the year less the sinking fund income returned to the Province from the sinking funds retired.

Accrued retirement costs (interest) represent the net interest expense on the unfunded pension liability and the group health and life insurance retirement benefits.

Accrued retirement costs (other) represent primarily the employer contributions that exceeded the current service costs for pensions as well as group health and life insurance retirement benefits.

Amortizations of foreign exchange gains/losses represent the amortization of the unrealized foreign exchange gains/losses.

Other debt expenses represent primarily the change in the accrued interest expense on the debt and capital leases.

Bad debt expenses represent the net increase in the allowance for doubtful accounts receivable, loans, investments, and guarantees made by the Province.

Accrued revenues and expenses represent all other changes in revenues and expenses during the year (e.g. equalization, sales tax, salaries and benefits).

3. Other Entities

This represents the accrual surplus (deficit) of all other government organizations after material adjustments have been made to conform to the accounting policies of the Province. The General Government Sector and Legislative Branch and the Resource Sector adjustments include the above and reverses the cash received by the Province and records the net income for Newfoundland and Labrador Liquor Corporation and Nalcor Energy respectively.

Schedule 15

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Government Reporting Entity
For the year ended 31 March 2012

GOVERNMENT ORGANIZATIONS

	Board of Commissioners of Public Utilities
	Business Investment Corporation
	C.A. Pippy Park Commission
	Central Regional Health Authority
D	Chicken Farmers of Newfoundland and Labrador
D - note 1	Churchill Falls (Labrador) Corporation Trust
	College of the North Atlantic
J	Conseil scolaire francophone provincial de Terre-Neuve et Labrador
	Consolidated Revenue Fund
D	Credit Union Deposit Guarantee Corporation
JU	Dairy Farmers of Newfoundland and Labrador
note 2	Eastern Regional Health Authority
J - note 3	Eastern School District
D	Egg Producers of Newfoundland and Labrador
	Heritage Foundation of Newfoundland and Labrador
	Labrador-Grenfell Regional Health Authority
J	Labrador School Board
	Livestock Owners Compensation Board
A	Marble Mountain Development Corporation
	Memorial University of Newfoundland
	Multi-Materials Stewardship Board
	Municipal Assessment Agency Inc.
	Newfoundland and Labrador Arts Council
	Newfoundland and Labrador Centre for Health Information
	Newfoundland and Labrador Crop Insurance Agency
	Newfoundland and Labrador Farm Products Corporation
	Newfoundland and Labrador Film Development Corporation
	Newfoundland and Labrador Housing Corporation
	Newfoundland and Labrador Immigrant Investor Fund Limited
	Newfoundland and Labrador Industrial Development Corporation
	Newfoundland and Labrador Legal Aid Commission
	Newfoundland and Labrador Municipal Financing Corporation
	Newfoundland and Labrador Sports Centre Inc.
	Newfoundland Hardwoods Limited
	Newfoundland Ocean Enterprises Limited
J	Nova Central School District
	Provincial Advisory Council on the Status of Women - Newfoundland and Labrador
	Provincial Information and Library Resources Board
	Public Health Laboratory
	Research and Development Corporation of Newfoundland and Labrador

SUMMARY FINANCIAL STATEMENTS

GOVERNMENT REPORTING ENTITY (continued)

GOVERNMENT ORGANIZATIONS

	Student Loan Corporation of Newfoundland and Labrador
	The Rooms Corporation of Newfoundland and Labrador
	Western Regional Health Authority
J	Western School District

GOVERNMENT BUSINESS ENTERPRISES

D	Nalcor Energy
F	Newfoundland and Labrador Liquor Corporation

LEGEND

A	This entity has a year end of 30 April.
D	These entities have a year end of 31 December.
J	These entities have a year end of 30 June.
JU	This entity has a year end of 31 July.
F	This entity has a floating year end to align with its four 13 week reporting periods. The fiscal year end of the entity will end on the first Saturday of April each year.

NOTES

1 Churchill Falls (Labrador) Corporation Trust is included in the Government reporting entity for consolidation since, in substance, it is closely held and controlled by the Province and is administered by senior Government officials.

2 Eastern Regional Health Authority controls a number of foundations/associations which have not been consolidated within their financial statements. In accordance with Public Sector Generally Accepted Accounting Principles, these organizations have been included within the Province's 2011-12 Consolidated Summary Financial Statements. These entities are as follows: 1) Health Care Foundation of St. John's Inc; 2) Janeway Children's Hospital Foundation; 3) Dr. H. Bliss Murphy Cancer Care Foundation; 4) Discovery Health Care Foundation Inc.; 5) Trinity-Conception-Placentia Health Foundation Inc.; 6) The Burin Peninsula Health Care Foundation Inc.

3 Eastern School District controls a number of foundations/associations which have not been consolidated within their financial statements. In accordance with Public Sector Generally Accepted Accounting Principles, these associations have been included within the Province's 2011-12 Consolidated Summary Financial Statements. These entities are as follows: 1) Eastern Education Foundation Inc.; and 2) Newfoundland International Student Education Program Inc.

4 During 2011-12, the goverance of Ever Green Environmental Corporation was changed to state that the organization now operates as an independent charity and no longer reports to the Health Care Corporation of St. John's !nc. Similarly, the Public Accountancy Act, which governed the Public Accountants Licensing Board, was repealed and replaced with the Public Accountants Act. As a result of these changes in governance and legislation, these entities are no longer included in the Government reporting entity.